



dedicated people - sustainably managing our forests

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OUR FUTURE

The business

Forestry Tasmania is a Government Business Enterprise, responsible for managing the State's 1.5 million hectares of State forest.

Vision

Forestry Tasmania will be an internationally competitive forest land manager, with operations based on sustainable, multiple-use forest management.

Mission

Forestry Tasmania's business is the sustainable production and delivery of forest goods and services for optimum community benefit.

Corporate objectives

Forestry Tasmania aims to:

- improve profit performance and returns to shareholders
- meet the annual targets to develop a world competitive forest resource, sustainably managed and meeting statutory environmental standards
- meet customer requirements and expand the customer base in domestic and international markets
- enjoy the broad support of the Tasmanian community for State forest management.



CUSTOMER SERVICE CHARTER

Forestry Tasmania is committed to improving the quality and profitability of each of its business relationships with its customers.

Continuous improvement in business relationships will be achieved by pursuing excellence in customer service.

Excellence in customer service will be realised through team effort, but is the individual responsibility of all employees.

To achieve excellence in customer service, Forestry Tasmania's employees will:

- treat each customer in a dignified, fair and honest manner
- be discreet, and respect the confidentiality of each customer
- develop an understanding of each customer's individual requirements
- co-operate to identify, confirm and capture opportunities to improve the quantity and quality of Forestry Tasmania's business with each customer
- treat identified problems in each business relationship promptly and with a commitment to resolving them
- pursue outcomes that deliver benefits to each party
- establish and maintain effective two-way communication
- use simple and clear language in their written and verbal communications.



FORESTRY TAS AND THE TASMANIAN ECONOMY

Forestry activity falls into the Australian and New Zealand Standard Industrial Classification category of 'wood and paper product manufacturing'.

In previous annual reports statistics have been provided citing ABS Manufacturing Industry Tasmania data. Due to changes in the way ABS compiles its data, comparable statistics for the 2001-02 and 2002-03 financial years are not due for release by ABS until 29 October 2004.

In terms of employment in the Tasmanian Forestry Industry a report was prepared in March 2004 by FAFPESC (Forest & Forest Products Employment Skills Company Ltd) National Skills Council for the Forestry & Forest Products Furnishing & Pulp & Paper Industries Ltd.

The FAFPESC report covered the Tasmanian industry as part of a national review. The report concluded that the total workforce of the Tasmanian Forest & Wood Products Industry was 10,693. This figure includes all enterprises that base their business around forest growing & management, tree harvesting, timber processing, any timber manufacturing & merchandising & panel, board, paper & packaging production. For more information about FAFPESC, see their Web site at www.fafpesc.com.au.

Tasmania employs 7.8% of the total workforce employed in the Australian forest industry. This compares with Tasmania's proportion of the total Australian population, which currently stands at 2.5%.

The Resource Planning and Development Commission in its background report (April 2002) which summarises the first five years of the Regional Forest Agreement 1997, reported that:

- Industry turnover was \$1.27 billion per annum (based on ABS catalogue Number 8221.6 with updates provided by ABS for 1999-2000)
- Wood product manufacturing accounts for 22% of Tasmanian manufacturing industry.



YEAR AT A GLANCE

2003–2004 2002–2003 2001–2002

Forest Estate ('000 hectares)

Total State forest at 30 June (incl. Forest Reserves)	1500 ⁴	1,501	1,502
Total Forest Reserves	175	175	175
Total plantations (stocked area) ¹	93	87	83

Forest Areas Established ('000 hectares)³

Native forest regenerated	11.3	10.5	7.4
Hardwood plantations established (incl. replanting)	6.1	3.5	4.7
Softwood plantations established (incl. replanting)	2.9	2.6 ²	3.5

Native forest area harvested ('000 hectares):

clearfell, selective harvesting and thinning	17.1	16.9	14.9
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Wood Production

Hardwood – Sawlog, Veneer and Peeler (m ³)	654,992	607,827	485,666
Hardwood – Pulpwood (tonnes)	2,902,786	2,828,265	2,423,868
Hardwood – Plantation pulpwood (tonnes)	104,426	119,962	35,793
Softwood – Sawlog (m ³)	254,374	299,532	355,848
Softwood – Pulpwood (tonnes)	250,558	302,974	213,191

Fire management services

Number of fires attended	113	124	42
Area of State forest burnt ('000 hectares)	24.4	7.5	3.8
Cost of suppression (current values \$'000)	4,967	1,650	102

Roads

Constructed (km)	180	202	154
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Employment

Lost Time Injury Frequency Rate	14.04	11.27	14.72
Operating Revenues per employee (\$'000)	\$336	\$294	\$251
Earnings before interest and tax per employee (\$'000)	\$43	\$42	\$25
Wood Production per employee	7,303	7,233	6,123

Finance (\$'000)

Operating revenue, grants and reimbursements	\$191,400	\$167,866	\$144,239
Operating expenditure	\$174,900	\$147,957	\$133,621
Earnings before interest and tax (EBIT)	\$24,668	\$24,057	\$14,139
Dividend and tax equivalents paid	\$6,786	\$4,961	\$5,759
Dividends recommended as % of operating profits after tax	50%	53%	54%
Return on Assets	2.88%	2.87%	1.70%

¹ Figures exclude plantation areas harvested but not yet replanted.

² Includes additional areas not fully reported in 2003.

³ Figures are for operations which were completed during the reporting period.

⁴ Includes 800ha correction to previous records.

CHAIRMAN'S REPORT

Wood product markets in Australia and overseas remained strong throughout 2003-04. The strong performance of the Australian domestic economy ensured a continuing demand for the full range of timber products in house construction, commercial property, furniture and fit-out.

In the pulp and paper sector, continuing strong demand for Tasmanian product reflects both the competitive advantage of Tasmanian supply and the attention to cost and quality assurance by our customers. In the international markets, the emerging trends to require strong environmental credentials in the supply chain, were highlighted during the year.

Misinformation on the sustainability of Tasmania's long-term wood supply had to be dealt with in our markets in Europe and in parts of south-east Asia. International customers are keen to ensure that supplies of products are sourced from long-term sustainably managed forest resources. In this regard Tasmania has an enviable reputation. Few suppliers can claim to have four times the International Union for Conservation of Nature standard for protected areas in secure conservation reserves. Very few suppliers have our long-term commitment to protecting soil, water, biodiversity and other values. Few suppliers have invested in the detailed research and development that provides for protection of forests from pest, disease and wildfire. Few suppliers can point to an increasing area of forest that signifies an investment in expanding supply opportunities.

All these environmental initiatives have culminated in Forestry Tasmania achieving a strong reputation through its ISO14001 certification and the acknowledgment of our environmental performance in various forums. In future years, environmental chain of custody will be a significant part of the ongoing marketing of Tasmanian forest products.

The profit result was again pleasing. For the third year in a row, the operating profit was increased. This year, operating profit was up from \$24 million to \$24.7 million. This trend of increasing the profitability of the management of State forest lands is an important objective of the Board. It reflects our desire to improve returns to shareholders against the background of a strong commitment to multiple use management and provision of a range of non-commercial goods and services of a non-commercial nature that are valued by our stakeholders.

This year, we have again reported on the broader socio-economic benefits of our business activity. These are conservatively estimated in our annual report (\$5.2 million) and would mean that if CSO payments were made, as occurs for all other public forest land management businesses in Australia, our reported operational profitability would have reached \$30 million.

The issue of forest valuation remains central to consideration of return on assets. The Directors are concerned to ensure that Forestry Tasmania adopts the methodologies that will enable compliance with the foreshadowed new international accounting standards that become applicable in 2005.

The reported forest valuation of \$740 million reflects a position based on current Australian accounting parameters. Directors expect that further changes will be necessary as the new international standards require different accounting approaches and different accounting assumptions. Our expectation is that once the new international framework is established, there will be a consistent basis for year-on-year reporting of forest valuation change. It is important to note that the most recent changes we report in forest valuation are principally due to changes in accounting assumptions.

Most of Forestry Tasmania's capital investment goes towards improving roading infrastructure and investment in future crops by way of native forest establishment or plantation investment. All of these investments have long-term horizons. Major roading infrastructure has a life of between 25 to 50 years. Native forest rotations vary from 80 – 200 years, and plantation investments are typically for 25-28 years.

The forest valuation must reflect the long-term nature of these capital investments. We need to see the new international valuation standard reflecting this and accordingly giving a fairer assessment of the basis for the return on asset performance of this business. Directors are satisfied that, compared to comparable forest land management businesses, Forestry Tasmania and its contractors are performing well.

But there remains significant potential for higher returns and much more needs to be done in the area of value-added processing. Whilst Directors have been disappointed by delays in securing new investments, particularly in rotary veneer production, they together with management, remain confident that the opportunities are real and realisable.

Forestry Tasmania has taken a lead in demonstrating that these products can be made from the Tasmanian eucalypt resource in overseas markets. Attracting new capital investment to greenfield processing, using new technologies and new markets, is a very time-consuming task.

Groups who issue academic forest industry plans demonstrate little comprehension of business processes or of the time-scales and the investment assessments that are required to achieve either expansion of existing capacity or new timber processing activity. Their pronouncements usually serve only to confuse and hinder, often precisely their sole intent, with consequential impact on confidence, development and job creation.

Having taken the initiatives with our partners, John Holland, in Newwood Holdings, we remain committed to achieving new value-added processing. It is particularly pleasing this year to have the successful establishment of Neville Smith Tasmania's new regrowth sawmill on the Newwood site in southern Tasmania.

Towards year-end, we established a new merchandising yard at Smithton, and successfully identified a range of prospective investors who are now actively progressing business assessments on the suitability and profitability of investment in Tasmania for new rotary veneers. Directors and the Executive team will remain very focused on this issue of new value-added processing in the coming year.

For many years, Forestry Tasmania has delivered a range of non-wood values that are of benefit to regional and rural communities. Along with maintaining the largest professionally equipped forest fire-fighting organisation, we have provided a range of community services in forestry based tourism and recreation.

Last year was a particularly difficult year for wildfire-fighting. A series of arson fires and escapes from private property tested the mettle of the organisation. The largest single fire in over a decade occurred in north-west Tasmania (70,000 ha), mostly on lands of other tenure, and our staff and contractors fought for over eight weeks to contain this blaze. This wildfire could have had devastating impacts on both wood production and extensive areas of Parks with World Heritage values. While largely unreported, this was a major effort and the financial results for 2003/04 have been impacted by this redirection and deployment of key resources.

In the area of tourism and recreation, we have continued to roll out the Board's vision for a series of commercial investments in eco-tourism. Good progress was made in progressing the Dismal Swamp project and it is pleasing to note that this initiative opened for business post balance date, in September. Further investment was made at the successful Tahune Forestry AirWalk to add value to that profitable enterprise and partnerships with Redline and other tourism operators have provided scope for expansion of the benefits of our Scottsdale Forestry EcoCentre.

The outlook for 2004/05 remains strong, both in our wood product markets and in the opportunities for the non-wood values. The strength of our performance depends on the innovation and capacities of our people and contractors. We remain confident that our resources are well positioned for further growth in our business.

Finally, I am once again delighted, on behalf of the Board, to congratulate our Executive and management team, indeed all of our staff and contractors on their continued dedication, professionalism and intelligent application throughout this challenging year.

I believe the people of Tasmania should be both aware and confident that the management and staff of Forestry Tasmania comprises a highly professional body of men and women, who are well experienced and skilled in delivering the balance of scientific, commercial, health and safety and community service objectives which the organisation has defined, and of delivering them at standards matching the best in the world.



Laurie Wilson
Chairman



MANAGING DIRECTOR'S REPORT

The past financial year has seen a strong focus on reviewing operating procedures to improve the efficiency of our production processes and the safety of our operations. Continuing investment has been made to identify opportunities to improve overall safety for our employees and our harvesting, transport and silvicultural contractors.

The forest environment is highly variable and while attention to standard operating procedures is important, a continuing focus on assessing risks on a day to day basis has become essential to make further sustainable improvements to safety results. Cooperative approaches between Forestry Tasmania and its contractors and with independent experts are continuing in this area. This work to improve safety and the efficiency of our operations reflects our core business values that are about care for our people, our customers and improvements in our relationship with our stakeholders.

The strong wood production figures across all log grades reflected hard work in planning and supervision of a diverse range of operations throughout the State. We are continuing to build up our expertise, particularly by investment in contractors and customers to adopt new approaches that improve the efficiency of forest planning and operational activity.

Strong attention has been paid again to our environmental performance. The formal systems of environmental reporting and the release of our Sustainable Forest Management Reports highlight our commitment to continue to improve environmental outcomes. We have delivered strong performance in relation to the soil and water care provisions of the Forest Practices Code.

Recently, we published data from over ten years of monitoring water quality from State forest operations. This is one of the largest single investments in continuous water quality monitoring made by any forest land manager in Australia. The very positive results (see www.forestrytas.com.au) speak highly of the attention to detail in managing our forest operations and in producing a long-term, reliable supply of quality water from the 18 per cent of Tasmania's catchments that we manage. We are encouraging other land managers to follow our lead, particularly in the agricultural and urban landscape.

Strong results from the research and development area are reported again this year. We have continued to identify opportunities to reduce chemical use, to reduce the visual impacts of harvesting, to maintain biodiversity and to improve forest productivity. Much of this work has come into focus as we address the issues of phasing out clearfell harvesting in oldgrowth forests, at the request of the State Government.

A detailed series of Issue Papers with independent referees were produced during the year to help inform the public debate on oldgrowth harvesting and to provide a basis on which the political process can make informed decisions about the future.

The calibre and expertise of our scientific work was again recognised in a number of forums. Active programs to engage the wider community with our science work are underway. In particular, investments in Science Week and inviting people to visit the forests with members of our scientific team, have proved positive in increasing understanding about the

sustainable management of State forest lands.

Considerable time is spent benchmarking our performance against our competitors, particularly in the international markets. Tasmania's record in forest management stands impressively against those of other major wood product suppliers, in particular our long-term commitment to progressive environmental improvements.

We are particularly pleased this year with the performance of the organisation in managing an extremely difficult wildfire-fighting season. We have a very significant commitment to providing a wildfire-fighting capability and the expertise and ability of our staff has been recognised in the results from very difficult wildfires throughout the State and in our deployment of personnel to mainland States and overseas.

Forestry Tasmania has made a series of investments in tourism and conservation throughout the year. It is pleasing to see the State and national Awards recognition for these innovative projects. Our continuing commitment to innovation, new ideas and an emphasis on delivering Brand Tasmania values, has been rewarded with a series of Awards in tourism, architecture and with eco-tourism accreditation.

Of particular significance has been our long-term investment in new initiatives under the Forestry-Tourism Protocol. Two notable examples throughout the year demonstrated our capacity to deliver. Firstly, in the smoke management strategies employed throughout the wildfire and prescribed burning season. Secondly, in the delivery of exceptional outcomes at Eagle Hill and near Leven Canyon in the north-west and central Tasmania. In each of these locations, harvesting on State forest was completed with no detriment to visual amenity. These results speak volumes of the capacity to deliver timber and tourism from sustainably managed State forest. We will continue to press hard to make improvements in this area with our neighbours and with key tourism stakeholders.

Finally, it was particularly pleasing to make progress in the year in our work with the Tasmanian Aboriginal community. Recognition of the traditional landowners of Tasmania is very important to us as we are a significant forest land manager. We expect to make further and more formal progress in this area with the Aboriginal community in 2004/05.

The results reported in this Annual Report speak volumes about the capacity of our people, our contractors and of the commitment that we all have to our business. We expect to make further improvements for our shareholders in the key areas of safety, profit and productivity in 2004/05.


Evan R. Rolley
Managing Director



CORPORATE OBJECTIVES

OBJECTIVE

Improve profitability

STRATEGIC TARGETS

- Growth in sales quantity

- Improved price structure

World competitive resource

- Expand hardwood resource – 4,500 hectares per year of new hardwood plantations

- Expand joint venture softwood resource – 800 hectares per year of new softwood plantations

- Increase intensive forest management – target revised to 750 hectares per year due to current unavailability of suitable resource

- Complete environmental management system accreditation under ISO 14001

Service customer needs

- New international markets

- Facilitate investment in growing, harvesting and downstream processing

Develop broad support

- Promote regional development role

- Facilitate the Forestry Growth Plan

- Support strategic community projects

RESULTS 2003–2004	COMMENTS
<ul style="list-style-type: none"> Increased sales for all products. Road tolls significantly increased. 	<ul style="list-style-type: none"> Very strong domestic & export markets. Future annual adjustments.
<ul style="list-style-type: none"> Review of existing major pulpwood contracts commenced. Continued improvement to long-term sawlog contracts negotiated and implemented. Neville Smith sawmill at Huon Wood Centre built. 	<ul style="list-style-type: none"> Major pulpwood contracts under re-negotiation. Annually adjusted. Expected to be fully operational in August 2004.
<ul style="list-style-type: none"> 5,399 hectares established 582 hectares achieved through Taswood Growers (Forestry Tasmania and GMO RR joint venture) 498 hectares thinned 	<ul style="list-style-type: none"> Increased area associated with Gunns Lease Project. Restricted by capacity to achieve IRR. Aim to achieve revised target.
<ul style="list-style-type: none"> Certification of the Environmental Management System to ISO 14001 has been maintained with no non-conformance identified at audit. Performance targets were consistently achieved, and reported publicly in the annual Sustainable Forest Management Report. 	<ul style="list-style-type: none"> EMS performance targets have been expanded to include the requirements of the Australian Forestry Standard for sustainable forest management.
<ul style="list-style-type: none"> Established market acceptance of eucalypts by increased sales of peeler logs on Korean and Chinese markets. Five new customers in Chinese veneer market Investigated the USA and NZ hardwood veneer markets. 	<ul style="list-style-type: none"> Strong market established in China for flooring in shipping containers. Peeler trials undertaken in NZ.
<ul style="list-style-type: none"> A new regrowth sawmill (NSTI) established at the Huon Wood Centre site. FT commenced Merchandising Yard operations at the Circular Head Wood Centre to assist value-adding. 	
<ul style="list-style-type: none"> The Dismal Swamp Maze and Visitor Centre near Smithton is close to opening. Neville Smith Timber Industries became the first occupant at the Huon Wood Centre 67 community sponsorships were granted and Community Liaison Officers continued to provide strong regional support in all five districts. These officers provided information about Forestry Tasmania's activities to local community groups and schools. 	<ul style="list-style-type: none"> Supporting local projects and strengthening ties with local communities.

FORESTRY GROWTH PLAN

In November 1998, the State Government launched the Forestry Growth Plan, the strategic objectives of which include integrating the management and processing of forest resources and investigating opportunities for industry development.

The major developments set out by this ten-year blueprint involve expanding softwood and hardwood forest resources to an international scale, and intensive forest management (IFM). Annual targets are set for establishing and thinning eucalypt plantations, expanding radiata pine plantations and thinning native forests.

The Forestry Growth Plan also demands new and improved forestry and wood processing infrastructure, including roads, sawmills, plywood and laminated veneer plants.

Wood Centres – Huon and Smithton

There was significant progress on downstream processing under the integrated timber



processing strategy during the past 12 months. Neville Smith Timber Industries (NSTI) became the first occupant at the Huon Wood Centre (left). Forestry Tasmania established a new merchandising yard at the Circular Head Wood Centre (below left) allowing for the transfer of timber segregation activities from the temporary yard at Wiltshire.

The NSTI facility at the Huon Wood Centre uses high strain band saws for the main breaking down and slabbing processes. These saws are unique in Tasmanian hardwood mills requiring considerable skills training for operators. Initially the green sawn timber from the mill will be trucked to NSTI's Launceston facility for drying, but longer term planning includes installation of kilns, a dry mill and other value adding processes at the wood centre. To



manage the by-products from the mill, NSTI has installed a large overhead bin that provides sealed storage for wood chips and sawdust and allows clean loading of trucks transporting those materials. Studies into Aboriginal values, geotechnical, geoconservation values of the site, river bio-monitoring, ground water

management, traffic management, waste management and a waste water management plans were developed. Copies of the documents are available on the Newood website www.southwoodresources.com.au.

At the Circular Head Wood Centre Merchandising Yard, a roller compacted concrete base has been installed to provide an all-weather working surface and dust control. The Merchandising Yard segregates wood for the local sawmills as well as recovering peeler material from logs that would otherwise be exported as woodchips.

Other downstream processing developments

The Forestry Growth Plan – which aims to develop new downstream processing industries for Tasmania and selling products to overseas markets – was further progressed during the year.

Forestry Tasmania fostered acceptance of Tasmanian eucalypts for veneer in Korea and in the China market, under the brand of Eu Jai Li, by increasing sales of veneer peeler logs to Korea and China. A wider range of customers seeking to use hardwood for veneer manufacturing was established during the year in China, and investigations occurred into higher value use of veneer in LVL manufacture in USA and NZ. Veneer peeling trials were initiated in Korea and NZ to examine veneer quality from regrowth and plantation logs.

The rise in the Australian dollar slowed the attraction of overseas investment in new value-adding industries, but the return to lower exchange levels sparked considerable interest from overseas companies. A number of feasibility studies and assessments are occurring into the establishment of rotary peel veneer mills in the State.

An application for accreditation of the biomass power station at the Huon wood centre was lodged with the Office of the Renewable Energy Regulator during the year.



As Forestry Tasmania's Export Manager, Sandy Chen is regularly at the interface of eastern and western culture. Originally from Beijing, Sandy gained an MBA while living in New Zealand as a means of understanding why western-style management is so different to the Chinese style.

Sandy's in-depth awareness of both cultures has proven to be a great advantage in the business world, and he has been instrumental in opening up new markets for Forestry Tasmania in China. His expertise has seen western-style marketing methods combined with Chinese branding to great success. After living in Tasmania for four years, Sandy and his family recently became Australian citizens.

"We love Australia, and Tasmania, very much," said Sandy. "Forestry Tasmania has a good work culture – people work together and are very friendly. I feel very lucky."

TRIPLE BOTTOM LINE

Forestry Tasmania is committed to delivering sustainable forest management by ensuring that it is financially secure, protects the environment and conforms with society's expectations. It takes into consideration the social, environmental and economic implications of the organisation's decisions and actions and ensures that key business strategies deliver economic prosperity, environmental sustainability and social accountability for the Tasmanian community.

Social

Employees

- Forestry Tasmania participated in the Minister's Award for traineeship program. Over 25 full time trainees are working with Forestry Tasmania.
- The year saw further expansion in scope as a Registered Training Organisation to include elements of Tourism and Civil Construction. In addition two new courses were developed and accredited. (Forest Practices and Dry Forest Harvesting).
- EBA performance bonus payments were made in recognition of employees' contribution to improvements in EBA indicators.
- Employee Benefits Program expanded with Health & Wellbeing; work and life balance workshops were also held during the year.
- As at 30 June, 1944 employees and contractors were employed by Forestry Tasmania.

Tourism and Recreation

- The Tahune Forest AirWalk collected two more awards; visitors to the Scottsdale EcoCentre increased markedly over the previous year and the Dismal Swamp Maze and Visitor Centre is in the final stages of construction.
- The Derwent Valley Maydena Hauler Project was announced with construction due to start later in 2005.
- National and international environmental accreditation was maintained for Forestry Tasmania's three major tourist sites.
- The Visitor Research Working Group with Tourism Tasmania and the Parks & Wildlife Service, which has expanded to involve the University of Tasmania and TAFE in undertaking more research into our visitors and tourists.

Community and Education

- Sponsorship was provided to 67 organisations by way of financial support for regional events such as sporting activities, art, theatre and cultural activities.



As Planning Coordinator for Derwent District in Hobart, Mick Miller has a heightened awareness of the need to foster broad community support for the management of our State Forests.

"We are right on peoples' doorsteps here – we have both an urban and a rural population to consider," Mick explains. "The amount of time and effort we put into planning, including our comprehensive peer review procedures, help to achieve high quality outcomes."

This year, the growth of forestry tourism has thrown a fresh perspective on Mick's role as a planner, with some of his time devoted to inspecting possible routes for the Forestry Hauler, a new attraction to be located at Maydena.

"The Forestry Hauler will feature some spectacular views, and we want to use these to show people what we do. People will see evidence of harvesting operations right through the time spectrum – the educated eye will see new forests resulting from operations that are say, 15 to 20 years old. They prove that the forests do grow back."

Environmental

Compliance

- Development of the Sustainable Forest Management system to meet the criteria detailed in the Australian Forestry Standard AS4708.
- Integration of the Sustainable Forest Management System and Safety Management systems.
- Ongoing certification to ISO 14001 was maintained.

The certification audit for the Australian Forestry Standard occurred in December 2003. The auditors identified 'no barriers to certification'. Certification to the standard is anticipated later in 2004. Overall we achieved more than 90% compliance across all environmental indicators for the Forest Practices Code audits.

- Two fines were received from the Forest Practices Board. Forestry Tasmania was fined \$5000 for a boundary incursion. This involved a contractor logging in class 2-stream reserve in Bass District.
- Forestry Tasmania was fined a further \$5000 for incorrectly marking a Streamside Reserve on a stream at Crayfish Creek in the north-west. This resulted in part of the Streamside Reserve being harvested.



Research

- Research on alternatives to clearfelling in wet eucalypt forests continued at the Warra Long Term Ecological Research Site. Two aggregated retention treatments were established during the year. This treatment required 20-30% of each coupe to be retained as patches of 0.5-1.0 ha in size so that the majority of the coupe was within a tree's length of standing trees. Monitoring of regeneration outcomes from five other treatments continued during the year.
- Investigation of viable alternatives to the use of 1080 as a method of controlling mammal browsing continued. This resulted in the continued decline in the use of 1080 during 2003/4. Since 1999/2000 the amount of 1080 used in State forest has been reduced by 64% while the area of forest establishment increased.
- Collaborative work continued with the Australian Centre for Agricultural Research on cold-temperate eucalypt forests in China, with results being applicable to Tasmanian forest management.
- Operational research on seed pre-treatment has given rise to better *Eucalyptus nitens* seedling recovery leading to significant cost savings.



Monitoring regeneration outcomes continued during the year

Economic

- increase in operational profit before tax from ordinary activities by 2.5%
- increase in return on assets to 2.88%
- borrowings of \$4.0 million for capital investment in roads and new forests
- payments to suppliers, contractors and employees of \$175.4 million
- payments to the shareholder of \$6.78 million, an increase of 37% from 2002-2003
- increase in the value of the forest estate of \$9.3 million

Tasmania, the smallest Australian state, is second only to New South Wales when it comes to contributing to the Gross Value of Forestry Production (GVFP). The GVFP is averaged over a three year period.

The national total average for the three year period to the end of 2002-2003 was almost \$1.4 billion*. Tasmania's contribution to GVFP was over \$328 million. The GVFP of Tasmania's eucalypt plantations alone was almost \$25 million, the highest of any Australian state.

**source: Australian Bureau of Agricultural and Resource Economics*



HUMAN RESOURCES

The people in our business

2003 has been another challenging year for our people. In the second year of our fifth Enterprise Agreement there has been many achievements.



Born and raised in the Huon Valley, Chris Emmett, has the proverbial "sawdust in his blood." But as Manager of Forestry Tasmania's Island Specialty Timbers business, the sawdust is a mix of blackwood, Huon pine, myrtle, silver wattle, sassafras, eucalypt and celery top pine.

Over the 12 years that Chris has managed Island Specialty

Timbers at Geeveston, he has developed a passion for Tasmania's special species timbers.

"We've got a unique line of timber here in Tasmania.

You're not going to find this sort of stuff anywhere in the world," he says.

Chris is highly skilled in identifying the timber most favoured by crafts people. He works closely with contractors at logging coupes to help them separate out special species and burl wood for sawmillers and crafts people.

Chris is also active in the Huon Valley community as a member of the Huon Resource and Development Group, the Newood Community Consultative Committee and Vice-President of the Judbury Progress Association.

The Human Resources Branch has been instrumental in supporting our employees to meet the challenges and in celebrating our successes.

Several new HR initiatives were introduced during the year. These included on-line learning over a number of key scoped-skill areas. Our role as a Registered Training Organisation also expanded with Forest Practices Harvesting and Tourism courses added to our Training Scope.

A new in house 'Graduate Forester Program' commenced with the employment of two graduates. This is one of the key strategies in addressing the issue of succession planning.

HR personnel assisted business units in the review and restructure of positions to meet the on-going and changing skills mix needs of the business.

During the year our new Dismal Swamp eco tourism venture was developed with the HR branch having significant input in devising policies and procedures for the new operation.

Negotiations commenced on a new Enterprise Bargaining Agreement for the Tahune Airwalk and Visitor Centre. This follows a successful initial agreement, which commenced with the opening of this unique attraction over two years ago.

Managing HR Information

This year saw another review of our Humans Resources Management Information system. Refinements and new tools for management now include improved access to reports and data and more timely alerts indicating the imminent expiry of competencies.

Enhancements will continue to enable our Managers to obtain timely and accurate information for effective people management.

Employment	at June 2004
Forestry Tasmania employees	570
Contractors and their employees	1 374
TOTAL	1 944

OCCUPATIONAL HEALTH & SAFETY

Serious about safety

The OH & S result for the financial year 2003-2004 was the second best in the organisation's history. The highlights for the year are as follows:



- A Lost Time Injury Frequency Rate (LTIFR) for the year was 14.04. (The LTIFR is the number of lost time accidents an organisation sustains per one million working hours in a rolling 12 month period. It is a widely used key performance indicator in all industries);
- The Forestry Tasmania Safety Management System was audited against the Australian Standard 4801. Certification of the system to this standard will occur in early August. Forestry will have a Safety and Environment Management System compliant with ISO 14001 and AS 4801;
- The "Healthy Living" program that included Back Care, Healthy Eating and Health Promotions achieved finalist status in the National Safety Awards run by the National Safety Council of Australia;
- Derwent District recorded 1,000 days without sustaining a Lost Time Accident; and
- FT have introduced a tool for its Recruitment and Selection procedure, which measures the safety awareness of prospective employees. The tool known as an Accident Risk Management (ARM) profile can be effectively used as one of the aids in making a selection decision.

Workers' compensation

Forestry Tasmania continues to perform well in terms of its Occupational Health & Safety and Workers Compensation management. During the year, our Workers Compensation Claims and Injury Management systems were independently audited against InjuryMAP. A successful result was obtained with full conformance against all criteria.

Forestry Tasmania's average new claim cost was less than \$1000 per claim. This was an extremely pleasing result, particularly in light of ever-increasing medical and rehabilitation costs.

The number of claims for 2003-04 was 50; the percentage of gross wages was 0.16% and the Lost Time Injury Frequency Rate was 14.04

OPERATIONAL FORESTRY

Forestry Tasmania's developments in infrastructure provided significant regional investment, as well as opportunities for enhancing its world-competitive hardwood and software resources, local processing and the potential for value-adding to these resources.

Plantations

The Intensive Forest Management (IFM) program develops and expands our forest resources.

Special thinning, pruning, fertilising and harvesting techniques are employed to maximise the scale, quality and economic value of plantation resources and Forestry Tasmania's international competitiveness.

During the year over 6 000 ha of eucalypt plantations were established.

Pruning programs in eucalypt plantations continued as the early Forestry Growth Plan plantings reached a size ready for treatment. The plantation expansion program continued to grow and contribute to the Growth Plan goals.

Joint ventures

Forestry Tasmania continued to strengthen its working relationships with current joint venture partners, Renewable Resources Ltd., Norske Skog (both softwood joint ventures), Gunns Ltd, and Plantation Platform of Tasmania (both eucalypt joint ventures). Forestry Tasmania continued to provide forest management services to Ausron Limited (formerly Yates Forestry). Land and forest management services were also provided to Gunns Plantation limited.

Native forests

This year Forestry Tasmania regenerated over 11 000 ha of native forest.

The Native Forest Quality Standard process showed a continuing improvement in operational results particularly in the areas of commercial thinning damage and use of on-site seed.

Similarly, the external audit forest operations by the Forest Practices Board again resulted in the achievement of over 90% compliance with all aspects of the audit.

Of particular note was the improved performance in the area of Special Values conservation.

The Intensive Forest Management (IFM) native forest thinning program achieved only 498 ha of the 750 ha target. This was largely as a result of the variable resource currently suitable for pre-commercial and commercial thinning. However, the commencement of two commercial thinning operations in Huon District and a focus on future resource in Derwent and Murchison Districts, give a positive outlook for the coming year.



Project Officer (Plantations), Sue Wilson, describes her job as "putting all the pieces of a jigsaw together."

It's an apt description of her project management role in supporting, coordinating and facilitating hardwood plantation development on State forest. After 17 years with the CSIRO, Sue joined Forestry Tasmania

in 1998 to assist the business meet its obligations under the Regional Forest Agreement to establish 20,000 ha of new plantations on State forest. As well as monitoring the progress of plantation development and supporting District field staff, she also liaises with joint venture partners and leaseholders.

"When contracts are struck at a corporate level, there are a lot of details that aren't specified such as the infrastructure, procedures and processes that are needed to succeed," she said.

"There are pieces of the jigsaw missing that you have to create to complete the picture and when it all falls into place, it's very satisfying."

During the year Neil Denney undertook a most successful project to promote and expand the range of excavator heaping throughout the State. This operation provides an alternative method for preparing sites for regeneration in drier forest types reducing reliance on intensive burning and sowing in some forestry types.

Roads and bridges



The engineering and construction of roads, bridges and quarries continued to be a major part of Forestry Tasmania's works program for the year.

Constructing and maintaining roads and bridges employed local contractors, boosted regional businesses, and added to the significant network of roads available for multiple uses.

The Districts constructed approximately 180km of mainly class 3 road for native forest access and 14km road for softwood access on State forest. A further 12km of class 1 major arterial road was completed, the most significant being the commencement of

Oigles Link Road in the Huon District to bypass Geeveston and reduce log cartage traffic on the Huon Highway. Twelve bridge projects were completed during 2003-04, the most significant being the crossing of the Derwent River (pictured) to access Butlers State Forest.

Forestry Tasmania spent some \$20.6 million in constructing, upgrading and maintaining road infrastructure on State forest during the year.

Fire management

The 2003/04 fires season progressed from no fires to multiple wildfires with all resources deployed during a two week period in November. The period of intense wildfire activity lasted for over a month with many fires requiring suppression efforts until the end of March. This was the result of higher than average temperatures prior to Christmas. Many areas of the state had the the lowest rainfall on record during November and December. The season saw the highest area burnt since the 1972/73 fire season and the fourth highest area burnt on record. One lightning strike caused fire to burn over 70,000 hectares of buttongrass, heath and forest on a range of land tenures. Almost \$5 million was spent in fire suppression making this the most expensive season yet due to the total area burnt and the duration of the largest fires. However, the number of fires experienced during the season was below the long-term seasonal average.

Forestry Tasmania crews attended 113 vegetation fires, which is 77% of the annual average number of fires since 1941. The fires burnt 106,534 hectares, which was 388% of the annual average for area burnt since 1941. The fires burnt a total of 24,409 hectares of land managed by Forestry Tasmania, which was 248% of the 10-year rolling average. Six of the seven largest wildfires originated on land not managed by Forestry Tasmania and totalled 84,836 hectares,

80% of total area burnt. Arson accounted for 36% of all fires and 8% of the area burnt. Escapes from private agricultural burns accounted for 19% of all fires and 12% of the area burnt. Fifteen lightning caused fires burnt 75% of all area burnt. Eighteen major fires in western Tasmania were started by lighting strikes, requiring Type II or III incident management teams. Eleven fires attended were successfully managed with inter-agency management teams appointed by the Multi-Agency Coordination group.

Forestry Tasmania employees spent the total of 58,492 hours firefighting which is, on average, 105 hours per employee. Forestry Tasmania personnel were also deployed to the USA to assist in wildfire control during September and October.

We conducted 189 high intensity planned burns for regeneration and plantation establishment on some 8,233 hectares without any escapes. 6,302 hectares were burnt with low intensity fires and 3,002 hectares in fuel reduction planned burns without any escapes.

Forestry Tasmania also carries out substantial work associated with fires that originate on other tenures – please see the table on page 78 for more detailed information.



Fire Management Officer, Ben Merrit, consolidated a leadership role with his Forestry Tasmania colleagues this year, following his achievement of the first Diploma in Forest Fire Management ever gained in Australia. The commitment towards gaining the Diploma is significant: candidates must possess extensive fire management training and experience, and meet competencies in a wide range of fire management related disciplines. Ben's work in the fire management branch includes training and assessment for fire management competencies. With a number of his colleagues working towards the same qualification, he feels both of these roles will be enhanced by his achievement of the Diploma. "The Diploma has given me credibility in a range of skills, which will help me to refine assessments and mentor other people within the organisation," he said.



Forest operations database

A new forest operations database was implemented. This is an interim database, designed to confirm Forestry Tasmania's requirements before going to tender for a new system. It includes direct links to the redeveloped Fires system, which was also implemented during the year. The Fires system stores information on all wildfires in Tasmania, with other land management agencies accessing the system via the internet.

The world Is our market

The market for all products strengthened during 2003/04 as Forestry Tasmania moved to expand its customer base in domestic and export markets.

The strong housing market and lower availability of logs from private property provided a very high demand for sawlogs from all customers. Local pulpwood demand remained high.

Export peeler sales continued to increase with sales being consolidated in Korea and China. Actual exports rose from 85,000 m3 in 2001/02 to approximately 170,000 m3 in 2003/04 as market demand for eucalypt veneer in construction plywood and shipping container flooring improved.

A trial shipment of Eucalypt veneer to the USA has occurred for evaluation of its suitability for production of laminated veneer lumber (LVL) in conjunction with use of Douglas fir. Logs have also been peeled in New Zealand to establish properties of LVL in conjunction with radiata pine. Trial peeling of Eucalypt plantation logs has successfully occurred.

Demand for export pulpwood was also very strong through the year with all customers seeking higher supply levels.

Other targets

Previously negotiated joint-venture agreements for establishing and managing plantations continue to provide impetus for expanding Forestry Tasmania's plantation estate, both in eucalypt and radiata pine.

Supply Chain Management

Design work for a redevelopment of the main Sales system was completed, and development work commenced late in the year. This will be a major task for 2004/05. The new system will better accommodate the many changes to Forestry Tasmania's sales processes that have emerged since the current system was written and will reduce the current reliance on a small group of "expert" users.

Design work for a new system to replace paper sawlog dockets was completed, and development work commenced late in the year. This will be another major task for 2004/05. When complete, hardwood sawlog dockets will be entered electronically at forest landings and copies will be sent via the internet to customers, contractors and others. This will eliminate the multiple entry of log docket data and will reduce the error rate. This is a joint project with the Forests and Forest Industry Council, and will be used for State forest and for private property.

Business intelligence

An online reporting system for senior managers was developed and introduced. Known as "the dashboard", it contains sixteen key performance indicators that cover all aspects of Forestry Tasmania's business. Budget estimates are compared automatically with monthly results, and warnings are displayed if any indicators vary from the budget estimate by a significant amount. The dashboard can be viewed at a corporate level, or for individual Districts and trading operations.

As a former District Forest Manager, Steve Luttrell brings considerable field expertise to his current role as Customer Service Manager. Steve heads the Customer Service branch that manages the domestic sales of timber products. This involves working closely with customers to ensure they receive the timber supplies and quality that they require.

"After being a District forester for 20 years, I welcomed the opportunity, when it arose four years ago, to take a different focus and work on the more commercial side of the business.

"My broad practical background helps me to understand the needs of the customers, as well as the constraints that the Districts work under."

Steve first joined the former Forestry Commission as a University student in 1969.



FOREST MANAGEMENT

Sustainable forest management is Forestry Tasmania's guiding vision and this depends on accurate resource information, management and analysis systems, planning processes, monitoring and feedback procedures.

Our resources

Procedures were developed to systematically evaluate the accuracy of mathematical growth models and their implementation in computer systems. Models of tree diameter growth were compiled to enable forest planners to better predict the future yields of native forests. Special assessments were undertaken to identify giant trees in tall native forests, and to measure the eucalypt plantation resource. Measurement continued of the strategic inventory program to sample native forests; technical innovations continue to increase the efficiency of measurement field-work. Photo-interpreted re-mapping of the Southern Forests was commenced.

Providing advice to the Government on the alternatives to clearfall burn and sow (CBS) silviculture was a significant project. A range of other resource analysis projects were undertaken throughout the year and a number of key studies and analysis were completed to support sales contracts and the next Regional Forestry Agreement review of sustainable yields, due for completion in 2007.

Improving environmental management

Forestry Tasmania maintained its ISO 14001 certification for environmental management systems (EMS). The system has now been integrated with the safety management system. All key components of the EMS were reviewed, updated or revised during the year, with the most significant updates involving the internal audit schedule and protocols, Legal Register, Key Document Register, Aspects and Impacts Register and Standard Operating Procedures.

The Australian Forestry Standard certification audit was completed in December 2003 and no barriers to certification were identified. The Standard developed under the auspices of Standards Australia sets the benchmarks for auditing against the delivery of sustainable forest management outcomes. Companies with independently assessed credentials independently audit the implementation of the Standard. It is in Forestry Tasmania's interest to ensure that it meets the requirements of the Standard. Certification will enable the promotion of timber from State forest to both domestic and international markets as coming from sustainably managed forests.

District Forest Management Plan Annual Reviews were completed for all Districts for 2002/2003 and published on the Internet. Progress towards achieving sustainable forest management as assessed against social, economic and environmental indicators is reported annually. The Sustainable Forest Management Report for 2002/2003 is available from Forestry Tasmania's web site and District Offices.

Managing natural and cultural heritage

Forestry Tasmania representatives have played an important role in the development of Tasmania's three natural resource management (NRM) strategies during the year. Data and maps have also been provided to the regional NRM committees to assist with this work.

Threatened species:

Forestry Tasmania scientists together with external Tasmanian scientists and the University of Melbourne completed the study 'Linking Landscape Ecology and Management to Population Viability Analysis' for a cross-section of eleven Tasmanian plants and animals.



Searching for *Thysanotus rodwayi* (not clear on this image but there are in fact three flowers within the excavated leaf litter) main picture by courtesy of the Forest Practices Board, inset photo by courtesy of Annie & Hans Wapstra

Strategic planning for threatened or priority plant species this year included finalisation of *Thysanotus rodwayi* management prescriptions in Mersey and Huon, surveys for *Hibbertia calycina* in the north east and surveys for newly described *Boronia* species. Forestry Tasmania through the Steering Committee had input to the finalisation of the Bruny Island Threatened Species Strategy.

Forestry Tasmania scientists have had input to threatened species recovery plans for Galaxias, Giant Freshwater Crayfish, Wedge-tailed Eagle, *Epacris* species and *Xanthorrhoea* species.

For fauna Forestry Tasmania completed a Species Management Plan for the Spotted-tail Quoll in the proposed Meander Dam catchment and funded with the Forest Practices Board, an investigation into the use of headwater streams by Giant Freshwater Crayfish. The Crayfish report is being used to inform

the development of the recovery plan for the species.

Forestry Tasmania coordinated with an interested neighbour the development of improved habitat reservation across tenures for Bornemizza's stag beetle.

Conservation Planner, Jeff Meggs achieved a national young scientist of the year award which enabled him to complete a study tour through North America, Scandinavia and the UK looking at management and research relating to coarse woody debris and its role in biodiversity conservation.

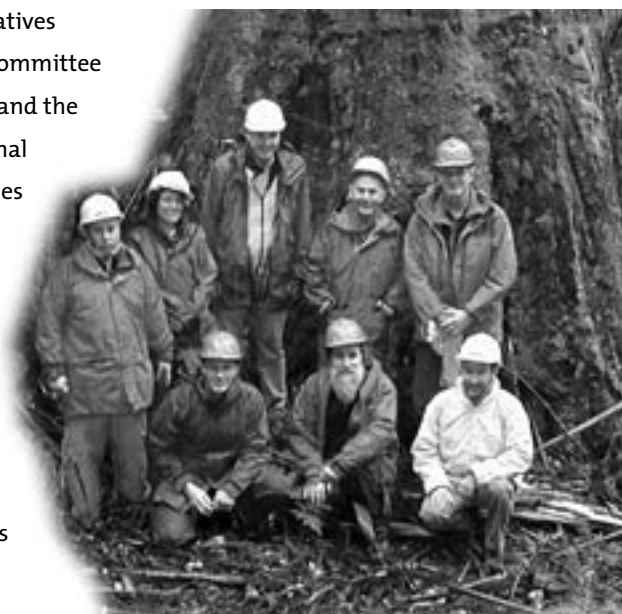
Cultural heritage and geoheritage:

Huon District is working closely with the aboriginal community to achieve appropriate protection and management of the Riveaux Caves complex.

Forestry Tasmania recognises that many Tasmanians have a special interest in giant trees.

To ensure the protection of giant trees Forestry Tasmania has implemented

a number of new initiatives during the last year. These initiatives include the establishment of the Giant Trees Consultative Committee (pictured at right) to promote the protection of Giant Trees and the establishment of a technical committee to review operational plans and provide advice to field managers. A new Giant Trees Standard Operating Procedure has been developed and implemented to ensure all care is taken to identify and protect Giant Trees on State forest, particularly in the vicinity of proposed forest operations. The Consultative Committee has endorsed this latter procedure. During the year further field searches have been carried out to identify Giant Trees and as a result the number of Giant Trees on the Giant Trees Register has increased from 29 trees to 53 trees.



The Giant Trees Consultative Committee (above), established to promote the protection of giant trees

In cooperation with the University of Tasmania and the Forest Practices Board an excavation at the Lune River fossil site in southern Tasmania was undertaken. This resulted in the finding of a yet to be identified fossilised tree and associated ferns.

During the year Forestry Tasmania appointed Ros Langford as Aboriginal Cultural Liaison Officer within the Tourism and Community Services Branch. Apart from developing Aboriginal content in our tourism ventures Ros is assisting in establishing links with the aboriginal communities and will facilitate opportunities for Aboriginal employment.

Our technology

A major review of technology options resulted in the development of a GIS Strategy to increase the future cost-effectiveness of mapping and spatial analysis systems. An application was developed to enable direct entry of field measurements onto handheld computers to increase efficiency and data quality.

Trial sites in Southern Tasmania were flown over to obtain Airborne Laser Scanner data to be used for research into its potential to improve forest mapping and inventory.

New strategic wood modelling processes for hardwood plantations were completed during the year. The new process leverages off existing software, both those containing growth models and linear programming systems.

Forest research and development

Forestry Tasmania is internationally recognised as a leader in the research of temperate native and plantation eucalypt forests for veneer and sawlog production. Much of this work is carried out by the Division of Forest Research and Development, which employed 30 research staff and managed nearly 60 Research and Development (R & D) projects in 2003/2004.

R & D projects are selected to improve the sustainability and productivity of Tasmania's forests. R & D programs are formally reviewed every year in consultation with stakeholders.

The Division's efforts have underpinned substantial progress in ecologically sustainable forestry for the last 40 years. Activities are focused on meeting organisational and community objectives across three main areas, managed by three R & D Branches within the Division: Biology and Conservation; Native Forests; and Plantations. Their work provides the following key outputs for Forestry Tasmania:

- Forest conservation and silvicultural research to improve operational performance.
- Development of sustainable harvesting and regeneration techniques for native forests and plantations.
- Research and operational skills in establishing and managing eucalypt, pine and blackwood plantations.

Staff in the Division spend approximately 30% of their time extending R & D results into field operational practice.

The Division also manages two business units which are closely aligned to the research program. These are the Forest Nursery at Perth and the Tasmanian Seed Centre.

Over \$3 million per annum of Forestry Tasmania funds are invested directly in R & D. A significant amount of additional research is also leveraged through collaboration with scientists in other research institutions such as the Universities of Tasmania, Melbourne and Queensland and the Co-operative Research Centre for Sustainable Production Forestry.

The Division also generates income through delivering contract research and consultancies both here and abroad.

In 2003/2004 researchers were involved in generating some 85 R & D related publications, including over 30 scientific papers in international journals and books.

The Warra Long Term Ecological Research (LTER) Site near Geeveston is managed by the

Breaking new ground is nothing new for Senior Forest Officer, Sue Jennings. She was the first female Trainee Technical Forester when she joined the Forestry Commission 25 years ago and now she is one of Australia's foremost experts on native forest blackwood. Based at Smithton for most of this time, Sue has carried out innovative native forest research, focussing particularly on blackwood and has also spent time with the local district working on eucalypt and blackwood regeneration systems.

"Forestry Tasmania is right at the cutting edge of blackwood research as the only organisation that does native blackwood management and Fenced Intensive Blackwood," she said.

In 2004, Sue was recognised for her work with blackwood as a finalist in the World Forestry Day Awards. She also led a forest tour of blackwood forests as part of 2004 National Science Week. (picture: Circular Head Chronicle)



Division and is one of Australia's most significant research initiatives in native forests. Major activities at Warra for the year included publication of a conceptual framework of ecological processes to guide research priorities at the Site, and commencement of seven new projects (see www.warra.com) including studies of habitat values of coarse woody debris, baseline monitoring for invertebrates, effects of cordoning snig tracks on soil properties and colonisation of clearfelled coupes by rainforest tree species.

Continuing research at the site by the Native Forests Branch this year included the establishment of two aggregated retention coupes at the Warra silvicultural systems trial, which is exploring alternatives to clearfelling in wet eucalypt forests.



Continuing research at the Warra research site included the establishment of aggregated retention coupes

The Native Forests Branch also

developed a decision support tool to inform regrowth thinning decisions and a training package for contractors for improved partial-felling operations in dry eucalypt forests. A study of the timber quality of blackwood regrowth in fenced regeneration showed that it had similar quality to that traditionally sourced from blackwood swamps. This result supports the planned establishment of another 1000 ha of fenced regeneration to increase the supply of blackwood as a special timber. The Branch also prepared background papers on silviculture and safety for the series *Towards a New Silviculture in Tasmania's Oldgrowth Forests*

The Biology and Conservation Branch continued to conduct research into vertebrate and invertebrate pests, diseases and the conservation of natural values. This research is used to develop standard operating procedures and monitoring systems to reduce the risk of economic losses from pests and diseases in production areas, reduce chemical usage and to ensure ecologically sustainable practices.

Each year, the Branch conducts large-scale surveys of plantations to check their health. Annual surveys of air and seaports are conducted on behalf of the Australian Quarantine Inspection Service (AQIS) to help ensure the State remains free of Asian gypsy moth. Work on developing health surveillance capability in Fiji, Vanuatu, Tonga and Samoa continued this year through a collaborative project for the Australian Centre for International Agricultural Research (ACIAR).



Research has found that the fungal leaf disease, *Mycosphaerella*, of young plantation eucalypts of the State's north-west has less impact on tree growth than first thought. Research evaluating more environmentally-friendly insecticides to control the eucalypt leaf beetle (*Chrysophtharta* spp.) has culminated in the registration of a second of these insecticides for use in eucalypt plantations.

Research continues into alternative ways to manage mammal browsing. Intensive monitoring has demonstrated the effectiveness of combination control using a repellent, free-feed and shooting to control browsing damage in eucalypt plantation on a high-risk site.

The Branch co-ordinates biodiversity studies at the Warra LTER site and maintains several key long-term studies. The first cycle of sampling log-inhabiting invertebrates has been completed in the log-decay project. We are finding a large diversity of log and tree-dwelling beetles at Warra, with 504 species recorded so far. The Branch maintains the Tasmanian Forest Insect Collection, a major repository of Tasmanian forest-inhabiting insects with 35,000 curated specimens in the database.

Research evaluating the effectiveness of wildlife habitat strips in retaining fauna in production forest landscapes is continuing. Resampling 10 years after logging has shown that in dry forests, wildlife habitat strips provide refuge for several bird species that are adversely affected by logging. Draft prescriptions for coarse woody debris (CWD) management were developed this year. They describe where, how much and what type of logs should be retained during fuelwood harvesting to provide ongoing habitat for

dependent biodiversity. A collaborative project with Melbourne University on modelling regional land-use planning for conserving multiple species was completed. The findings from this study are now informing a further collaborative study with Queensland University on landscape design to minimise extinction risk.

The Plantations Branch undertakes R & D and provides advice on the establishment and management of pine, eucalypt and blackwood plantations. It also provides R & D on soils and hydrology.

During this year 5000 ha were evaluated for hardwood plantation suitability based on information from soil and site studies. The information base on Tasmanian Forest Soils



Forestry Tasmania maintains the Tasmanian Forest Insect Collection, a major repository of Tasmanian forest-inhabiting insects with 35,000 curated specimens in the database

was extended and further Forest Soil Fact Sheets were published in conjunction with the Forest Practices Board. Work continued on finding cost-effective ways to maximise growth response in plantations, through nutrition studies and the appointment of a plantation silviculturist.

Water quality monitoring at the Warra LTER site continued and expertise in this science was extended with the appointment of a hydrologist.

Collaborative work continues with ACIAR on cold-temperate eucalypts in China, with results from studies being applicable to Tasmanian forest management. The Branch was successful in gaining significant funding for a national collaborative research project aimed at establishing a database of suitable plantation research trials to be used as a source of wood for solid wood product studies.

Development of a breeding program and seed orchards for producing high quality eucalypt seed for use in plantations continues.

Forestry Tasmania's nursery at Perth produced over 7 million pine and eucalypt seedlings for Forestry Tasmania, joint venture partners and private forest growers.



Operational research on seed pre-treatment has given rise to better *Eucalyptus nitens* seedling recovery from seed sown, leading to significant cost-savings. Improved processes also resulted in more successful prevention of severe frost damage to *Eucalyptus globulus* seedlings.

The Tasmanian Seed Centre continued to supply seed for Forestry Tasmania's regeneration sowing and plantation programs as well as supplying external customers within Australia and internationally. Total sales of over 3000 kg were achieved from a store of 32 eucalypt and 60 other species. A new rotary drum extraction kiln and a vacuum seed cleaner were commissioned at Geeveston and will lead to more efficient seed management.



Vacuum cleaning eucalypt seed

Native forest regeneration

Every area harvested and replanted is assessed to ensure the new forests are growing well.

Eucalypt regeneration success is reported after three years of growth.

The total area of eucalypt coupes on State forest regenerated to native forest in 1999/2000 is shown below. Successfully regenerated areas have met the stocking standard as outlined in Technical Bulletin No. 6 (Forestry Tasmania 1996).

1999–2000 eucalypt regeneration

	total area treated (ha)	area met standard (ha)	% area met standard
clearfelled	1,684	1,612	96
partially logged	2,382	2,143	90
fenced (eucalypt/blackwood)	82	82	100
total	4,148	3,837	93

Two clearfelled coupes totalling 72 ha did not meet the stocking standard. A poor burn was implicated as the primary reason for understocking in both of these coupes. Three partially-logged coupes totalling 239 ha did not meet the stocking standard. These were all shelterwood retention coupes, where the foliage of the retained trees had been attacked by insects, resulting in inadequate natural seed available to regenerate the harvested area. All the understocked coupes had sufficient stocking to be considered as ecologically stocked and to maintain commercial wood production, albeit at a reduced rate compared to full stocking.

The regeneration success of rainforest coupes is reported after they are five years old. The total area of rainforest coupes on State forest regenerated to native forest in 1997-1998 is shown below. Successfully regenerated areas have met the stocking standard as outlined in Technical Bulletin No. 6 (Forestry Tasmania 1996).

1997–1998 rainforest regeneration

	total area treated (ha)	area met standard (ha)	% area met standard
rainforest	20	20	100

TOURISM IN TASMANIA'S FORESTS

Tourism and recreation are keystones in Forestry Tasmania's vision for multiple-use forests. The implementation of Forestry Tasmania's tourism strategy, complementing the State Government's Tourism 21 Plans, has seen the development of new attractions in regional Tasmania during the past year, forming a statewide series of international tourism venues providing investment, jobs and profits.

Maintaining the accreditation for Forestry Tasmania's major tourism developments has also been identified as an integral part of Forestry Tasmania's Statewide Tourism plans. Forestry Tasmania was the first land management agency in Australia to gain Tourism Council Accreditation. Advanced National Eco-Tourism accreditation was achieved for both the Tahune AirWalk and the Scottsdale EcoCentre, while the Melville Street Exhibition Hall and Dome was granted standard accreditation. International accreditation Green Globe 21 was awarded to the Tahune AirWalk, a world first. The Scottsdale EcoCentre's application for accreditation is pending – completion is expected in 2004-2005.

The Tahune AirWalk and Visitor Centre in the Southern Forests, in its third year of operation, won two additional awards and again attracted more than 130,000 visitors. The first of a series of on-site adventure activities such as abseiling, rafting and an eagle glide were introduced into the 2003-2004 tourism season.

The landmark Forest EcoCentre in Scottsdale, a key stopping point on the tourist route, has won two major architectural awards and attracted more than 48,000 visitors in 2003-2004, a significant rise in numbers from the previous year. The EcoCentre is a multi-functional building housing the regional Tasmanian Visitor Information Network (TVIN) outlet and Forestry Tasmania's Bass District offices.

The Dismal Swamp Maze and Visitor Centre, due to open in 2004, will promote the unique blackwood industry of North-West Tasmania. The construction of all components is well advanced. The Centre features a visitor centre, timbered arched viewing platform, slide and a unique forest maze incorporating four major pathways depicting the Polje and Karst system, the Blackwood story, the Mega Flora and Fauna and an artists walk.

Forestry Tasmania recently launched the Derwent Valley Maydena Hauler project (in conjunction with the State Government and local community organisations). The site will feature a log hauler at work in the forest; recreating the history of hauling logs by steam. The project will also feature a working mill, along with a visitor centre and 360 degree views of Tasmania's State forests.

With the influx of interstate visitors, State forest areas have shown a marked increase in visitor numbers to certain areas to access walks, picnic areas, and commercial activities offered. Sites such as Liffey Forest Reserve, Mt Victoria Forest Reserve in the north and Montezuma Falls in the west have become popular destinations.

Andy Corbould's role as Assistant District Manager for Bass epitomises the challenges of multiple use forestry. On any given day, Andy may be found playing a key role in maximising tourism opportunities for the District, working through environmental issues with the community, or dealing with the business side of managing a large and busy District.

"Our forests are important to many different sectors of the community, for many different reasons," explains Andy. My role is about meeting the needs of all our stakeholders for the long term. With widely varying demands, it's a fine balancing act indeed."

Andy brings to Forestry Tasmania a wealth of knowledge gained in the forest industry. Nevertheless, Bass has brought a set of fresh challenges, with tourism increasingly becoming a major part of the District's core business. "Since the EcoCentre opened a few years ago, tourism in the North East has been growing steadily. Forestry Tasmania is playing a key role in many of the region's tourism projects - we're demonstrating that forestry and tourism can work together successfully."



During the year, Forestry Tasmania has worked with Tourism Tasmania, other State Government agencies and community groups. Partnerships include:

- The Adopt-a-Track partnership with Wildcare, which provides track caretakers to maintain their favourite walking track in State forest.
- The Recreational Vehicle Working Group, which examines issues surrounding four-wheel drive vehicles and trail bikes on Crown land.
- The Visitor Research Working Group with Tourism Tasmania and the Parks & Wildlife Service, which has expanded to involve the University of Tasmania and TAFE in undertaking more research into our visitors and tourists.
- The successful Tasmanian Walking Track Strategy 60 great short walk program.

It is now recognised that Forestry Tasmania's tourism strategy is at the global forefront of land managers nature tourism planning.



The Dismal Swamp Maze and Visitor Centre, due to open in September 2004
– photo by Richard Bennett

MANAGEMENT AND ACCOUNTABILITY



CORPORATE GOVERNANCE

The Board of Directors of Forestry Tasmania is responsible for the overall corporate governance of the organisation. This includes setting strategic direction, overseeing financial performance and business affairs, setting management goals and monitoring management's performance.

As a fully State-owned Government Business Enterprise, the Board of Directors is responsible directly to the Minister for Infrastructure, Energy and Resources for its operations.

Directors are appointed in accordance with the Forestry Act and their responsibilities are outlined in the Government Business Enterprises Act 1995. Remuneration fees for non-executive directors are set by government.

The Board aspires to a high degree of ethical behaviour and accountability and has developed a set of policies and procedures to govern the operations in accordance with these principles.

Monthly reports on operations and finance are supplied to the Board about the outputs of the organisation. This is reviewed monthly with senior managers, who also regularly contribute advice on strategic issues to the Board.

The Board visits operating sites and major customers as part of its corporate governance role. The Chairperson of the Board has meetings from time to time with the Minister for Infrastructure, Energy and Resources and reports quarterly financial performance to the Treasurer.

Board Members	Board Meetings Meetings		Audit Committee Meetings Meetings		ESH Committee Meetings Meetings		Finance Committee Meetings Meetings	
	Eligible	Number	Eligible	Number	Eligible	Number	Eligible	Number
DIRECTOR								
L Wilson	12	12	4	3	-	-	3	2
E Best	12	11	4	4	4	3	-	-
A Kloeden	12	10	4	3	3	3	-	-
H Elliott	12	12	-	-	4	4	-	-
D Radford	12	12	-	-	-	-	3	3
E Rolley	12	12	4	3	-	-	3	2

Board of directors

Lawrence A Wilson (chairman)—DipAppChem, DipChemEng Swin, BComm Melb, FAICD, FAIM (fourth from left)

Edward C Best—BSc, BEng (Hons) Tas, MBA Deakin, FIE (Aust), FAIM, MAICD (fifth from left)

Deborah Radford—BEC LaTrobe, GradDipFin&Inv SecInstAust (third from left)

Adrian Kloeden—MSc (BusStudies) Lond, BScFor (Hons) ANU, FAIM, MAICD (second from left)

Humphrey J Elliott—BScFor ANU, Dip.Agric.Ent Syd, PhD Syd (left)

Evan R Rolley—BSc ANU, BA Tas, FIFA (far right)



Secretary to the Board: Penny Warren—B.Bus (Acc) University of Tas, CPA, GAICD

Board committees

The Board of Directors holds special ad-hoc meetings as required, and has four sub-committees. These committees make informed recommendations on corporate issues to the Board, which then makes final decisions to guide Forestry Tasmania's operations.

Audit Committee

This committee monitors Forestry Tasmania's overall control procedures, external financial reporting and business risks. It provides direct oversight and liaison, on behalf of the Board, with the internal auditors (KPMG) and the Auditor-General. The committee meets the independent internal auditors privately at least once a year to review the performance of the organisation and obtain assurances on the adequacy of financial and accounting controls.

Members—E Best (chair), L Wilson, A Kloeden, E Rolley, P Warren, and representatives from KPMG and the Auditor-General's office.

Remuneration Committee

This committee oversees remuneration policies, and reviews and approves remuneration arrangements for the senior executives.

Members—L Wilson (chair), E Best, D Radford, H. Elliott, A Kloeden

Environmental, Safety and Health Committee

This committee monitors implementation of the organisation's environmental, occupational health, and safety policies, and forest management systems. It reviews any related strategic issues.

Members—H. Elliott (chair), E Best, A Kloeden, K Creak, H Drielsma.

Finance Committee

This committee provides guidance to the Board on financial policy, proposals and strategies.

Members—D Radford (chair), L Wilson, E Rolley, P Warren.

Legislative and policy compliance

Forestry Tasmania operates in accordance with the following statutes and policies:

- Forest Practices Act, 1985
- Forestry Act, 1920
- Forests & Forest Industry Strategy, 1991
- Government Business Enterprises Act, 1995
- New Forestry Initiatives, 1999
- Public Land (Administration & Forests) Act, 1991
- The Forestry Growth Plan, 1998
- The Tasmanian Regional Forest Agreement, 1997
- Trade Practices Act, 1974
- Timber Promotion Act, 1970
- Vocational Education and Training Act, 1994

Statement of Corporate Intent

Prepared pursuant to Section 41 of the Government Business Enterprises Act 1995.

The main business of Forestry Tasmania is the sustainable production and delivery of forest products and services for optimum community benefit.

The key ways this will be achieved are by:

- expanding hardwood production capacity through intensive forest management, including establishing new plantations
- expanding softwood production capacity through a joint venture company established by partial sale of the State softwood plantation resource
- marketing the recreational and tourism potential of State forests.

The range of non-commercial activities undertaken by Forestry Tasmania as part of multiple-use forest management on non-commercial areas of State forest will include:

- conserving natural and cultural heritage values
- providing recreation, education and research activities
- providing forest fire protection services for the State

Other governance issues

- an independent Board review was undertaken in 2003-04 involving Directors, senior management and relevant Government ministers and stakeholders
- all the Directors are soundly experienced in corporate law and governance issues
- the combined skills of the Directors include international, corporate management, marketing, finance and forest management
- the Directors adhere to the Forestry Tasmania Corporate Governance Policy and Human Resources Policies and Procedures
- Board sub-committees are governed by individual Charters and membership is based on expertise.

Forestry Tasmania's business values

The following business values have been approved by the Board and are operated throughout the organisation:

Care for people

We treat others with respect. We foster a safe workplace. We develop the skills of our employees. We learn from our mistakes. We give recognition for achievement.

Careful thought

To make wise decisions based on scientific research, commercial factors and on our understanding of statutory responsibilities and government policy.

Stewardship

We want future generations to have opportunities for the use and enjoyment of Tasmania's natural environment just as the generation we now serve.

Innovation

We support the acquisition of knowledge and the continuous improvement of processes and products. We pursue new ideas, tools and practices.

Passion

We work hard because we believe that what we do is important to the Tasmanian community. We celebrate success.

Integrity

We do what we say we will do, taking responsibility for the consequences of our decisions and actions. We act in good faith with our customers, contractors and stakeholders to achieve shared outcomes.

Managing Director's statements

The Superannuation Guarantee

Forestry Tasmania has met its obligations under the Superannuation Guarantee (Administration) Act 1992 of the Commonwealth, as amended, in respect of any employee who is or becomes a member of a complying superannuation scheme to which the Agency contributes, other than the accumulation scheme or the contributory scheme.

Procurement and Tasmanian businesses

Forestry Tasmania ensures that Tasmanian businesses are given every opportunity to compete for our goods and services contracts. It is our policy to support Tasmanian businesses whenever their services are competitive in terms of quality and price. The organisation entered into 15 procurement contracts during the 2003-2004 year valued at more than \$50,000, with a total value of \$5.61 million. All of these contracts were with Tasmanian suppliers.


Evan R. Rolley
Managing Director

EXECUTIVE STRUCTURE



EVAN ROLLEY
Managing Director

- Corporate Affairs
- Human Resources
- Internal Audit
- Corporate Strategy



HANS DRIELSMa
General Manager,
Forest Management

- Forest Research and Development
- Information Technology
- Planning and Resources
- Tourism and Community Services



KIM CREAK
General Manager,
Operations

- Engineering
- Fire Management
- Harvesting
- Plant Resources and Stores

Northern region:

- Bass district
- Mersey district
- Murchison district

Southern region:

- Huon district
- Derwent district



BOB GORDON
General Manager,
Marketing

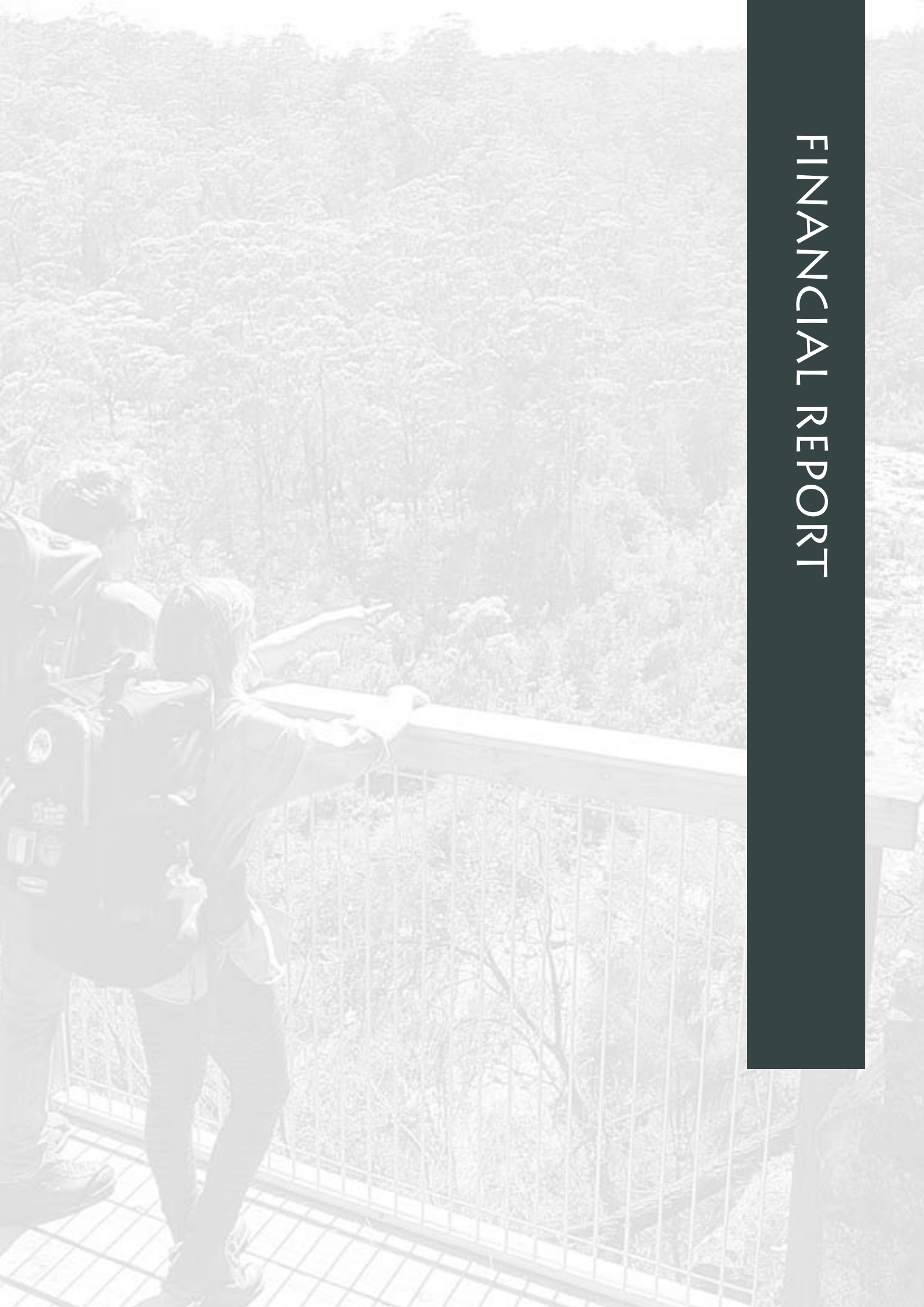
- Business Development
- Customer Services
- Strategic Corporate Projects



PENNY WARREN
Chief Financial Officer;
Secretary to the Board

- Accounting Operations
- Budget and Management Information

FINANCIAL REPORT



Statement of Financial Performance for the year ended 30 June 2004

	NOTE	2004 \$'000	2003 \$'000
Total revenue from ordinary activities	2	191,400	167,866
Expenses from ordinary activities excluding borrowing costs	3	(173,718)	(147,124)
Borrowing costs expenses	3	(1,180)	(829)
Share of net (loss) of joint ventures accounted for using the equity method	27	(2)	(4)
Profit from ordinary activities before net market value adjustment		16,500	19,909
Forest net market value increment/(decrement)	4	9,303	(25,377)
Profit/(loss) from ordinary activities before income tax		25,803	(5,468)
Income tax expense relating to ordinary activities	5(a)	(6,913)	(5,765)
Net profit/(loss)		18,890	(11,233)
Net (decrease) in retained profits on the initial adoption of revised AASB 1028 <i>Employee Benefits</i>	21	-	(153)
Net increase in asset revaluation reserves arising on revaluation of non current assets	20	2,433	324
Total revenue, expense and valuation adjustments recognised directly in equity		2,433	171
Total changes in equity	22	21,323	(11,062)

The Statement of Financial Performance is to be read in conjunction with the accompanying notes to the financial report.

Statement of Financial Position as at 30 June 2004

	NOTE	2004 \$'000	2003 \$'000
CURRENT ASSETS			
Cash	7(a)	10,520	11,393
Receivables	8	28,625	23,566
Inventories	9	6,281	6,302
Forest estate	1.1(j), 1.2, 10	20,977	19,696
Other	11	574	2,651
Total current assets		66,977	63,608
NON CURRENT ASSETS			
Forest estate	1.1(j), 1.2, 10	739,735	714,028
Property, plant and equipment	12	28,138	24,774
Receivables	8	872	56
Investments accounted for using the equity method	13, 27	44	46
Other financial assets	14	16,270	14,024
Deferred tax assets	5(d)	22,269	21,528
Other	15	-	25
Total non current assets		807,328	774,481
Total assets		874,305	838,089
CURRENT LIABILITIES			
Payables	16	27,309	21,269
Interest bearing liabilities	17	-	30
Current tax liabilities	5(b)	2,024	3,409
Provisions	18	15,582	16,199
Total current liabilities		44,915	40,907
NON CURRENT LIABILITIES			
Interest bearing liabilities	17	25,000	21,000
Deferred tax liabilities	5(c)	22,452	18,363
Provisions	18	55,301	48,661
Total non current liabilities		102,753	88,024
Total liabilities		147,668	128,931
Net assets		726,637	709,158
EQUITY			
Contributed equity	19	232,057	232,057
Reserves	20	446,586	444,153
Retained profits	21	47,994	32,948
Total equity	22	726,637	709,158

The Statement of Financial Position is to be read in conjunction with the accompanying notes to the financial report.

Statement of Cash Flows for the year ended 30 June 2004

	NOTE	2004 \$'000	2003 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflows:			
Cash receipts from customers		173,493	147,019
Distributions received		2,200	2,000
Interest received		449	299
Outflows:			
Payments to suppliers and employees		(145,187)	(125,865)
Payments to suppliers and employees for forest activities		(8,592)	(7,675)
Borrowing costs paid		(1,180)	(829)
Tax equivalents paid		(2,942)	-
Net cash provided by operating activities	7(b)	18,241	14,949
CASH FLOWS FROM INVESTING ACTIVITIES			
Inflows:			
Proceeds from sale of property, plant and equipment		2,370	1,548
Outflows:			
Payments for property, plant and equipment and other assets		(21,640)	(18,269)
Net cash used in investing activities		(19,270)	(16,721)
CASH FLOWS FROM FINANCING ACTIVITIES			
Inflows:			
Proceeds of borrowings		4,000	7,000
Outflows:			
Finance lease repayments		-	-
Statutory dividend paid	6	(3,844)	(4,961)
Net cash provided by financing activities		156	2,039
Net increase/(decrease) in cash held		(873)	267
Cash at the beginning of the financial year		11,393	11,126
Cash at the end of the financial year	7(a)	10,520	11,393

The Statement of Cash Flows is to be read in conjunction with the accompanying notes to the financial report.

Notes to the Financial Report for the year ended 30 June 2004

1.1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) Basis of accounting

This general purpose financial report has been prepared in accordance with the requirements of the Government Business Enterprises Act 1995 and applicable Treasurer's Instructions, Australian Accounting Standards and Urgent Issues Group Consensus Views.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair valuations of non-current assets. All values are rounded to thousands.

The accounting policies adopted are consistent with those of the previous year unless otherwise specified.

(b) Reclassification of financial information

Some line items reported in the previous financial year have been reclassified and repositioned in the financial statements to ensure consistency with accounting standards.

(c) Accounting for joint ventures

Forestry Tasmania's interest in its unincorporated joint ventures is brought to account by including its proportionate share of the joint venture's assets, liabilities, expenses and revenues from sale of output on a line by line basis. Interest in incorporated joint ventures is brought to account on an equity basis.

(d) Inventories (excluding forest assets)

Inventories are valued at the lower of cost and net realisable value unless otherwise specified. Net realisable value is determined on the basis of each inventory line's normal selling pattern. Costs incurred in bringing inventory items to their present location and condition are accounted for as follows:

- * Raw materials - purchase cost
- * Finished goods and work in progress - costs of direct materials and labour and a proportion of overheads.

(e) Non current assets

Recoverable amount of non current assets valued on a cost basis

The carrying amounts of non current assets valued on the cost basis, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write down is expensed in the reporting period in which it occurs.

In assessing recoverable amounts of non current assets, the relevant cash flows have not been discounted to their present value, except where specifically stated.

Notes to the Financial Report for the year ended 30 June 2004

Revaluations of non-current assets

Non current assets measured at fair value are revalued with sufficient regularity to ensure the carrying amount of each asset does not differ materially from fair value at reporting date. Independent valuations are obtained at least every three years. The valuations completed as at 1 July 2001 were completed by the Government Valuation Services. Revaluation increments are recognised in the asset revaluation reserve except for amounts reversing a decrement previously recognised as an expense, which are recognised as revenues. Revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess is recognised as an expense.

Disposal of revalued assets

Any gain or loss on the disposal of revalued assets is determined as the difference between the carrying value of the asset at the time of disposal and the proceeds from disposal and is included in the financial results in the year of disposal. The asset revaluation reserve is adjusted if there is a revaluation component included in the value of the asset being disposed.

Depreciation and amortisation

Depreciation rates are reviewed annually to ensure that the useful life of the asset is evaluated and the depreciation rate adjusted accordingly. Straight line depreciation is used on all items except plant and vehicles which have been depreciated on the diminishing value basis.

Depreciation on roads is at rates calculated to allocate the cost, less estimated residual value over the useful life of the assets.

Depreciation is provided for plant and vehicles at a rate equivalent to the cost less estimated salvage value allocated across the expected useful life to Forestry Tasmania.

Amortisation is provided on prospectus costs over five years irrespective of the life of the underlying agreement, commencing at completion of the underlying agreement.

Major depreciation periods are:

- * freehold buildings - 25 to 40 years;
- * leasehold improvements - 15 to 20 years;
- * plant and equipment - 2 to 15 years; and
- * roads and road structures - 2 to 20 years.

Capitalisation threshold

All land transactions are capitalised, irrespective of value. The capitalisation threshold for plant and equipment is \$1,000 and \$5,000 for all other non current assets.

(f) Income tax equivalent

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences between accounting and taxable income. To the extent timing differences occur between the time items are recognised in the accounts and when items are taken into account in determining taxable income, the related taxation benefit or liability, calculated at current rates, is disclosed in the Statement of Financial Position as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Where assets are revalued no provision for potential capital gains tax has been made.

Notes to the Financial Report for the year ended 30 June 2004

(g) Provisions

Provision for superannuation

Forestry Tasmania recognises as an expense in the current period the cost of contributions and interest thereon, and the interest cost attributable to the opening liability at the beginning of the period.

The contribution expense is determined by applying an actuarially derived contribution rate to the salary and wage expense of the period.

Provision for annual leave

Liabilities for annual leave expected to be settled within 12 months of the year end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on wage and salary rates that the business expects to pay as at reporting date including related on costs.

Provision for long service leave

The provisions for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided up to balance date.

In calculating the liability, consideration has been given to future increases in wage and salary rates, including on costs, and takes into account Forestry Tasmania's experience with staff departures. The discount rates utilised in the calculation of the liability are provided by Treasury.

All vested long service leave is shown as a current liability.

Provision for workers compensation

Forestry Tasmania is a self insurer for workers compensation. The provision for workers compensation is set at a level to cover estimated medical expenses, compensation payments and likely common law settlements for reported claims as at 30 June 2004. The provision also includes an allowance for unreported claims at 30 June 2004.

Provision for sick leave

No liability has been recognised in the accounts for sick leave as Forestry Tasmania operates a "no debit no credit" system for all employees.

(h) Revenue recognition

Sales revenue

The point at which revenue is recognised for products sold within the State is considered to be either when the timber is loaded at the landing or delivered to the mill door. Export sales are recognised when the ship departs a State port. Revenue from forest management services is recognised as work is completed.

Interest income

Interest income is recognised as it accrues.

Asset sales

The gross proceeds of asset sales are included as revenue. The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.

Forestry Rights

The proceeds received for the allocation of forestry rights is recognised in the Statement of Financial Performance in the year the proceeds are earned.

Notes to the Financial Report for the year ended 30 June 2004

Forest valuation net market value movement

Increments or decrements in the net market value of the forest asset are recognised as revenues or expenses in the financial year in which they occur. The net increment or decrement in total net market value is determined as the difference between the net market value at the beginning of the year and at the end of the year after adding back the net market value of forest harvested during the year.

(i) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(j) Forest estate valuation - wholly owned estate

The forest estate comprises the standing timber crop, land and roads. To comply with AASB 1037 *Self Generating and Regenerating Assets* the forest estate component assets have been separately reported in the Statement of Financial Position.

i) Standing Timber

The forest crop is valued using a discounted cash flow method to derive a net present 'market' value of the existing forest crop. Forestry Tasmania's rights to plantations (at harvest date) through Tree Farm Agreements are also valued using this method. The principal assumptions which relate to the generating of discounted cashflows are outlined below:

Discount Rates

For wholly owned native forest stands, Forestry Tasmania has applied a weighted average cost of capital pre tax real discount rate of 6.64% (2003:7.03%). The pre-tax market based discount rate applied to hardwood plantation crops is 10.50% (2003:10.50%) and to softwood plantation crops is 10.50% (2003:10.50%).

Continuity

The valuation assumes the continuation of existing practices with regard to forest management and silviculture.

Volumes

The native forests values are based on the expected harvest volumes of peeler and veneer logs, sawlogs, and pulpwood. Volume assessments for native forests were last reviewed in 2002 as part of the Regional Forest Agreement (RFA) review process. Hardwood and softwood plantation volumes are based on inventory data collected from 1998 up to 2002.

Only the current standing timber crop is valued. That is, no recognition is made of the costs and returns related to future tree crops, or of the harvest and delivery of logs.

Costs and Prices

Costs and prices for forest products are based on the weighted average of Forestry Tasmania's three preceding years, except that the sale price for hardwood plantation forest products is the estimated or predetermined domestic price. Average native forest pulp export prices have been adjusted for expected future market trends where this provides a more accurate estimate.

Notes to the Financial Report for the year ended 30 June 2004

The cost of improving and managing the existing crop, inclusive of a land rental cost and administration overheads is deducted from the cash flows. The rental cost of 5% (2003:5%) is applied to the value of land supporting productive crops. Establishment and re-establishment costs for the current and future crops are excluded.

ii) Roads

The value of the forest estate separately recognises the value of Forestry Tasmania's roads. The major and minor roads and infrastructure are valued at cost.

iii) Land

The land asset is production forest land and is valued using fair value principles from valuations supplied by the Valuer General. Additions to the land asset are at cost. A revaluation of the land was completed as at 1 July 2001 and a revised revaluation as at 30 June 2003 will be completed by the Valuer General by 31 December 2004.

Forestry Tasmania has recognised as revenue the sale of forestry rights over the land associated with the GMO Renewable Resources Softwood Joint Venture. The land associated with these forests was devalued in 1999/2000 by \$16 million. Land values are incrementally increased with the progressive regaining of this control over the remaining 66 years using the discount rate applied to plantations. The land associated with other joint ventures is retained as a Forestry Tasmania asset.

(k) Forest estate valuation - interest in joint ventures

Forestry Tasmania is involved in softwood and hardwood plantation joint ventures.

The joint ventures arrangements exist in two forms. One form is for plantations established on privately owned land with Forestry Tasmania providing the management expertise and financing the majority of the other inputs. The second is where plantations are established in State Forest with Forestry Tasmania providing varying amounts of management and other inputs as set out in the respective agreements. The agreements provide for the eventual harvest to be shared between the joint venturers in proportion to the discounted value of inputs calculated over the life of the ventures.

In valuing joint venture plantations the same basic method has been used as that in place for wholly owned forests to recognise Forestry Tasmania's share of the joint venture except that expenditure and revenue attributable to joint venture partners are excluded. The joint ventures have been individually valued as at 30 June 2004.

The crop value of the GMO Renewable Resources softwood plantations is based on a discounted cashflow method to derive a net present market value. The valuation was undertaken by an external consultant, Chandler Fraser Keating and was completed as at 30 June 2004. All prices are adjusted for expected future market trends. The pre-tax market based discount rate applied to plantation crops is 10.50% (2003:10.50%).

The crop value of the hardwood plantations jointly owned with Plantation Platform of Tasmania Pty Ltd (PPT) and Gunns Ltd is based on the 'cost' of establishment. AASB 1037 permits the cost basis to be used as a measure of the crop valuation in cases where little biological change has taken place since planting.

(l) Grants

In 1995, A Helsham receivable was raised to reflect the grant of Helsham funds to be received by Forestry Tasmania for plantations and intensive forest management. The grant includes funding for administration and research expenditure which is included as part of Forestry Tasmania's normal operational expenditure and is offset against the Helsham receivable in note 8 of the accounts.

Notes to the Financial Report for the year ended 30 June 2004

(m) Dividend policy

Forestry Tasmania pays dividends in accordance with its statutory requirements as determined under Part II, Division 2 of the GBE Act (1995).

(n) Leased assets

Leases under which Forestry Tasmania assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense in the accounting period in which they are incurred. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where Forestry Tasmania will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by payments of principal. The interest component of the lease payments is charged to the Statement of Financial Performance.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(o) Receivables

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

Trade debtors

Trade debtors are to be settled within 30 days and are carried at amounts due.

(p) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the organisation. Trade accounts payable are normally settled within 30 days.

(q) Interest bearing liabilities

Loans are carried on the Statement of Financial Position at their principal amount. Interest expense is accrued at the contract rate.

(r) Foreign currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the date of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the Statement of Financial Performance in the financial year in which they occur.

(s) Derivatives

Forestry Tasmania is exposed to changes in foreign exchange rates, commodity prices and interest rates from its export activities and utilises the option to hedge these risks if considered appropriate.

Notes to the Financial Report for the year ended 30 June 2004

Hedges - anticipated transactions

Where hedge transactions are designated as a hedge of the anticipated specific purchase or sale of goods, gains and losses on the hedge arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Any gains or losses on the hedge transaction after that date are included in the Statement of Financial Performance.

The net amounts receivable or payable under forward exchange contracts and the associated deferred gains or losses are recorded on the Statement of Financial Position from the date of inception of the hedge transaction. The net receivables or payables are revalued using the foreign currency current at reporting date. When the anticipated transaction is no longer expected to occur as designated, the deferred gains and losses relating to the hedged transaction are recognised immediately in the Statement of Financial Performance.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur as designated, the deferred gains and losses that arose on the hedge prior to its termination continue to be deferred and are included in the measurement of the transaction when it occurs.

(t) Other financial assets

The Superannuation Investment Account is held with the Tasmanian Public Finance Corporation (Tascorp). The funds are invested in an investment portfolio comprised of cash and equities. This investment is revalued each year to the market value as advised by Tascorp. Unrealised capital gains are taken to the Superannuation Revaluation Reserve.

1.2 CHANGES IN ACCOUNTING POLICIES

Standing Timber Valuation

The valuation of the standing timber asset complies with AASB 1037 *Self Generating and Regenerating Assets*. In completing the valuation of the for the year ended 30 June 2004, Forestry Tasmania has revised some internal policies associated with specific inputs into the asset valuation process. The movement in the value and the changes in accounting policy have had no impact on cashflow or the operating profit before tax and market valuation adjustments of Forestry Tasmania for the 2003/2004 financial year. The net movement in the net market value value from the prior year is an increment of \$9.303 million (see note 4).

Notes to the Financial Report for the year ended 30 June 2004

	2004 \$'000	2003 \$'000
2 REVENUE FROM ORDINARY ACTIVITIES		
Forest sales revenue	137,139	119,880
Share of GMO joint venture revenue	24,588	24,783
Interest	583	564
Proceeds from the sale of property, plant and equipment	2,369	1,548
Forest management services income	13,508	12,514
Other income	13,213	8,577
Total revenues from ordinary activities	191,400	167,866

In accordance with AASB 1037 *Self Generating and Regenerating Assets* trees harvested are revalued to market value immediately prior to disposal. Additionally AASB 1037 states that the harvested trees must be accounted for in accordance with AASB 1019 *Inventories*, and for the purposes of that standard, the cost of the harvested trees is deemed to be equal to its market value immediately after it is harvested.

3 EXPENSES FROM ORDINARY ACTIVITIES

Depreciation		
Plant and equipment	2,165	1,978
Roads and road structures	5,432	4,275
Buildings and leasehold improvements	495	472
Prospectus amortisation	25	61
Contractors expenses	74,851	56,614
Employee benefits and expenses	30,612	28,391
Share of GMO joint venture expenses	21,495	21,665
Interest expense	7,571	3,883
Freight	8,839	5,432
Office Expenses	2,552	2,284
Consultancies and professional services	1,368	1,906
Rental	1,865	1,794
Minor Equipment Purchases & Consumables	1,357	2,724
Property Management	1,363	1,150
Information Technologies Expense	631	732
Fuel	1,340	1,317
Operating lease rentals	579	619
Travel and accommodation	979	718
Written down value on disposal of assets	2,130	1,961
Borrowing costs	1,180	829
Other	8,069	9,148
Total expenses from ordinary activities	174,898	147,953

Notes to the Financial Report for the year ended 30 June 2004

4 MOVEMENT IN NET MARKET VALUE OF STANDING TIMBER

The impact that the increment/(decrement) in the net market value of the standing timber has on the results of the organisation can be reconciled as follows:

	2004 \$' 000	2003 \$' 000
Gross increase/(decrease) in the net market value of standing timber – Forestry Tasmania	26,545	(14,052)
Gross increase/(decrease) in the net market value of standing timber – GMO Softwood Joint Venture	(8,650)	(3,650)
Less future crop expenditure (primarily contractor expenses) incurred during the financial year	(8,592)	(7,675)
Net impact on operating profit before income tax	9,303	(25,377)

5 TAXATION

a) Income Tax Equivalent Expense

The prima facie income tax equivalent expense on pre-tax profit from ordinary activities reconciles to the income tax equivalent in the accounts as follows:

Income tax equivalent expense at 30% (2003:30%) of profit from ordinary activities	7,741	(1,641)
Add/(deduct) tax effect of permanent differences		
Amortisation of Tassie Trees costs	-	18
Depreciation on revaluation increment	-	7,879
Depreciation on land improvements	-	-
Deduction for timber felled	(122)	(37)
Superannuation investment account	-	(302)
Capital (gains)/losses	(137)	-
Non-deductible expenditure	167	(5)
Research and development	(164)	(147)
Non assessable income	-	-
	7,485	5,765
Over provision of previous financial year	(572)	-
	6,913	5,765

b) Current tax liabilities

Provision for current income tax

Balance at beginning of the year	1,399	-
Current year's income tax expense on profit from ordinary activities	3,888	3,409
Tax paid	(2,942)	-
Over provision in prior years (2003: see note 11)	(321)	(2,010)
	2,024	1,399

Notes to the Financial Report for the year ended 30 June 2004

	2004 \$' 000	2003 \$' 000
c) Deferred tax liabilities		
<i>Provision for Deferred Income Tax</i>		
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% (2003:30%) on the following items:		
Difference in depreciation for accounting and income tax purposes	7,560	8,279
Inventory costs deductible for tax but deferred for accounting purposes	1,402	1,316
Plantation establishment and stand improvement costs deductible for tax but deferred for accounting purposes	13,814	11,133
Forest revaluation increment	(621)	(3,413)
Sundry	279	546
Adjustment to opening balances	-	502
	22,452	18,363
d) Deferred tax assets		
<i>Future income tax benefit</i>		
Provision for Future Income Tax Benefit comprises the estimated future benefit at the applicable rate of 30% (2003:30%) on the following items:		
Provisions and accrued employee entitlements not currently deductible	3,503	3,838
Tax losses carried forward	-	217
Expenditure deductible for accounting but deferred for tax purposes	-	2,347
Superannuation adjustment due to entry to NTER	18,766	15,316
Adjustment to opening balances	-	(190)
	22,269	21,528

The potential future income tax benefit will only be obtained if:

- 1) the organisation derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised
- 2) the organisation continues to comply with the conditions for deductibility imposed by law; and
- 3) no changes in tax legislation adversely affect the organisation

6 DIVIDENDS

Forestry Tasmania has proposed a dividend for the 2003/2004 financial year of \$4.359 million. The proposed dividend is subject to approval by the Treasurer and the Minister under Section 83(1) of the Government Business Enterprises Act 1995 and as such has not been recognised as a provision. The dividend is calculated on the formula agreed to by Forestry Tasmania, the Treasurer and the Minister.

A dividend of \$3.844 million, relating to the 2002/2003 financial year, was paid during the 2003/2004 financial year.

Notes to the Financial Report for the year ended 30 June 2004

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STATEMENT OF CASH FLOWS

a) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:

	2004 \$'000	2003 \$'000
Cash	8,473	9,728
Share of Joint Venture Cash	2,034	1,652
Floats and advances	13	13
	10,520	11,393
b) Reconciliation of net cash provided by operating activities to profit/(loss) from ordinary activities after income tax equivalent expense:		
Operating profit/(loss) from ordinary activities after tax and forest valuation	18,890	(11,233)
Add/(less) items classified as investing/financing activities:		
Profit/(loss) on disposal of non current assets	(239)	413
Interest on superannuation investment	(134)	(265)
Add/(less) non-cash items:		
Share joint ventures profit	(893)	(1,118)
Share of Joint Venture Entities net loss	(2)	(4)
Unrealised net forest (increment)/decrement	(26,545)	17,702
Depreciation and amortisation	8,117	6,786
Doubtful debts expense	(42)	339
Stock adjustments	266	-
Net cash provided by operating activities before changes in assets and liabilities	(582)	12,620
Changes in assets and liabilities:		
Increase/(decrease) in deferred taxes payable	4,089	2,452
(Increase)/decrease in future income tax benefit	(741)	(96)
Increase/(decrease) in provision for income tax	(1,385)	3,409
(Increase)/decrease/ in current receivables	(4,774)	(8,256)
(Increase)/decrease in non-current receivables	(816)	(5)
(Increase)/decrease in inventories	(71)	(614)
(Increase)/decrease in other current assets	2,077	(116)
(Increase)/decrease in other non current assets	27	61
Increase/(decrease) in creditors	5,744	1,781
Increase/(decrease) in current provisions	(617)	1,505
Increase/(decrease) in non current provisions	6,640	2,208
Net cash provided by operating activities	9,591	14,949

Notes to the Financial Report for the year ended 30 June 2004

	2004 \$'000	2003 \$'000
8 RECEIVABLES		
Current		
Trade debtors	16,915	15,444
Less provision for doubtful debts	(210)	(273)
Share of GMO JV receivables	2,460	2,175
Accrued revenue	7,271	3,885
GST refund	342	304
Helsham funding commitment	1,847	2,031
Total current receivables	28,625	23,566
Non current		
Other	872	56
Total non current receivables	872	56
9 INVENTORIES		
Gravel stocks at cost	1,574	1,346
Seed and seedlings at cost	2,929	2,599
Timber at cost	952	1,431
Share of GMO JV Timber at cost	288	380
Stores general at cost	538	546
	6,281	6,302
10 FOREST ESTATE		
Current		
Standing timber at market value	20,977	19,696
Non current		
Standing timber at market value	353,756	328,002
Land at valuation	233,244	232,824
Roads and road structures at cost	184,706	170,680
Less provision for depreciation	(99,452)	(94,020)
GMO joint venture timber resource at market value	58,650	67,300
Other joint venture forest assets at market value	8,831	9,242
	739,735	714,028

Notes to the Financial Report for the year ended 30 June 2004

Reconciliation - Land, Roads and Structures

	Forest Land	Roads and Structures	Total
	\$'000	\$'000	\$'000
Carrying amount at beginning of year	232,824	76,660	309,484
Addition	182	12,395	12,577
Disposal	(28)	-	(28)
Net movement in work in progress	(55)	1,631	1,576
Revaluation	321	-	321
Depreciation	-	(5,432)	(5,432)
Carrying amount at end of year	233,244	85,254	318,498

Forest estate holdings (current and non current)

The net market value of the forest stands represents commercial holdings in the following classes. Information is in thousand hectares.

	2004 Hectares	2003 Hectares
Native forest on State Forest	593	610
Plantations on State Forest	24	24
Plantations on private land	2	1
Joint venture plantation on State Forest	7	6
Joint venture softwood plantation on State Forest	50	50
Tassie Trees Trust plantation on State Forest	2	2

11 OTHER CURRENT ASSETS

	2004 \$'000	2003 \$'000
Prepayments	574	641
Income tax paid in advance	-	2,010
	574	2,651

12 PROPERTY, PLANT AND EQUIPMENT

Land at directors' valuation	790	908
Buildings at directors' valuation	9,780	9,887
Less accumulated depreciation	(792)	(404)
	8,988	9,483
Leasehold improvements at directors' valuation	635	637
Less accumulated depreciation	(126)	(64)
	509	573

Notes to the Financial Report for the year ended 30 June 2004

	2004 \$'000	2003 \$'000
Plant and equipment at cost	18,742	17,957
Less accumulated depreciation	(7,748)	(7,026)
	10,994	10,931
Capital work in progress at cost	6,857	2,879
Total property, plant and equipment	28,138	24,774

Valuation of land and buildings

Freehold land and buildings are measured on a fair value basis, being the amount for which the assets could be exchanged between knowledgeable and willing parties in an arm's-length transaction, having regard to the highest and best use of the asset for which other parties would be willing to pay. The current year's valuation was determined by directors, taking into account the independent valuation in June 2001, additions and disposals during the year, depreciation of buildings during the year and market movements. The valuation in 2001 was determined by an independent valuer on the basis of open market values for existing use.

Reconciliation Property, Plant and Equipment

	Land	Buildings freehold	Leasehold improvements	Plant & equipment	Capital work in progress	Total
Carrying amount at beginning of year	908	9,483	573	10,931	2,879	24,774
Addition	-	486	-	3,655	8,119	12,260
Disposal	(118)	(550)	-	(1,427)	-	(2,095)
Net movement in work in progress	-	-	-	-	(4,141)	(4,141)
Depreciation	-	(431)	(64)	(2,165)	-	(2,660)
Carrying amount at the end of year	790	8,988	509	10,994	6,857	28,138

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Joint venture entities (see note 27)

44	46
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14 OTHER FINANCIAL ASSETS

Superannuation investment account

16,270	14,024
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15 OTHER NON CURRENT ASSETS

Prospectus costs	485	485
less Prospectus amortisation	(485)	(460)
	-	25

16 PAYABLES

Trade creditors	10,543	9,635
Share of GMO JV payables	1,930	1,634
Funds held in trust	845	-
Revenue received in advance	4,243	5,176
Accrued expenses	9,748	4,824
	27,309	21,269

Notes to the Financial Report for the year ended 30 June 2004

	2004 \$'000	2003 \$'000
17 INTEREST BEARING LIABILITIES		
Current		
Lease liability (see note 23)	-	30
	-	30
Non Current		
Borrowings	25,000	21,000
	25,000	21,000
Financing Arrangements		
Forestry Tasmania has access to the following lines of credit:		
Total facilities available:		
Credit cards	800	800
Foreign currency dealing limit	520	520
Loan facility - secured	25,000	21,000
	26,320	22,320
Facilities used at balance date:		
Credit cards	95	85
Foreign currency dealing limit	81	-
Loan facility - secured	25,000	21,000
	25,176	21,085
Facilities not utilised at balance date:		
Credit cards	705	715
Foreign currency dealing limit	439	520
Loan facility - secured	-	-
	1,144	1,235

Credit Cards

The full amount payable on credit cards is included in current liabilities as this is payable within 14 days before interest is charged. After this date the payable bears interest at 16.45% (2003:16.45%), payable monthly.

Foreign Currency Dealing Limit

Forestry Tasmania has foreign currency facilities totalling \$520,000 covering foreign currency dealings and payments in overseas currencies.

Loan Facility - Secured

Forestry Tasmania has long term fixed borrowings of \$25.0 million. The fixed component bears interest on a fixed rate with the interest charged on a six monthly basis. The loans are secured by a floating charge over Forestry Tasmania's debtors.

Notes to the Financial Report for the year ended 30 June 2004

	2004 \$'000	2003 \$'000
18 PROVISIONS		
Current		
Employee entitlements		
Annual leave	2,190	2,244
Long service leave	5,057	4,885
Superannuation (see note 24)	7,978	8,647
Workers compensation	357	423
	15,582	16,199
Non current		
Employee entitlements		
Long service leave	437	605
Superannuation (see note 24)	54,170	47,196
Workers compensation	694	860
	55,301	48,661
Reconciliations		
Reconciliations of the carrying amounts of each class of provision except for employee benefits are set out below:		
<i>Provision for dividend</i>		
Carrying amount at beginning of year	-	4,961
Provisions made during the period	3,844	-
Payments made during the year	(3,844)	(4,961)
Carrying amount at end of year	-	-
19 CONTRIBUTED EQUITY		
Value of State Loans to the former Forestry Commission taken over by the Tasmanian Government in 1990.	232,057	232,057
20 RESERVES		
Forest estate revaluation reserve	364,778	364,457
Joint venture forest estate revaluation reserve	21,572	21,572
Property revaluation reserves	638	638
General reserve	43,045	43,045
Superannuation reserve	11,980	11,980
Superannuation investment revaluation reserve	4,573	2,461
	446,586	444,153

Notes to the Financial Report for the year ended 30 June 2004

	2004 \$'000	2003 \$'000
Movements in reserves:-		
<i>(a) Forest estate revaluation reserve</i>		
Balance at start of year	364,457	364,133
Forest land revaluation increment	321	324
Balance at end of year	364,778	364,457
<i>(b) Superannuation investment revaluation reserve</i>		
Balance at start of year	2,461	2,461
Revaluations	2,112	-
Balance at end of year	4,573	2,461

The Superannuation investment revaluation reserve increases due to the market value adjustments on equity instruments contained in the investment portfolio with Tascorp.

21 RETAINED PROFITS

Balance at the beginning of the year	32,948	44,334
Profit/(loss) after taxation expense	18,890	(11,233)
Dividends paid during the year	(3,844)	-
Net effect of initial adoption of AASB 1028 <i>Employee Provisions</i>	-	(153)
Balance at the end of the year	47,994	32,948

22 TOTAL EQUITY RECONCILIATION

Balance at the beginning of the year	709,158	720,220
Total changes in equity recognised in the statement of financial performance	21,323	(11,062)
Dividends paid	(3,844)	-
	726,637	709,158

23 EXPENDITURE COMMITMENTS

Operating expenditure commitments

Operating leases

Not longer than one year	3,252	3,275
Longer than one year but not longer than five years	10,321	8,172
Later than five years	6,614	7,638
	20,187	19,085

Forestry Tasmania leases property under non-cancellable operating leases expiring from one to ten years. Leases generally provide Forestry Tasmania with a right of renewal at which time all terms are renegotiated. Leases payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

Notes to the Financial Report for the year ended 30 June 2004

	2004 \$'000	2003 \$'000
<i>Capital expenditure commitments</i>		
Construction contracts		
Not longer than one year	400	1,010
<i>Finance lease payment commitments</i>		
Finance lease rentals are payable as follows:		
Not longer than one year	-	33
Less future lease finance charges not provided for in financial statements	-	(3)
	-	30
Lease liabilities provided for in the financial statements		
Current	-	30
Total Lease Liability	-	30

Forestry Tasmania had finance leasing arrangements with Kimberley Technology Management for the lease of computer hardware. The term of individual leases were three years with options at the end of the lease term to either return the equipment to the lessor or Forestry Tasmania could purchase the equipment at residual values. The equipment was classified as an asset and included in the Forestry Tasmania's asset register.

24 SUPERANNUATION COMMITMENTS

Each year, the State Actuary conducts a valuation of the past service and accrued liabilities with the Retirement Benefits Fund defined benefit scheme at the reporting date. During the year the Actuary completed a triennial review of assumptions used in the valuation model. Any shortfall between the value of these benefits and the market value of the Retirement Benefits Fund assets relevant for those members determines the value of any unfunded superannuation liability, and is shown as a liability in the Statement of Financial Position.

The funding status of the Corporation's share of the defined benefit schemes at the reporting date, based on actuarial valuations, is summarised as follows:

Retirement Benefits Act 1993

Vested benefits	98,164	92,480
Accrued benefits	89,366	79,523
Less net market value of plan assets	(27,218)	(23,679)
Deficit	62,148	55,844
Accrued Benefits are classified as:		
Current	7,978	8,647
Non current	54,170	47,196

25 CONTINGENT LIABILITIES

As a self insurer Forestry Tasmania is exposed to the possibility of both workers' compensation and common law claims. To reflect this in the accounts an estimate of the likely cost is made and brought to account in the provision (see note 18).

Indemnities have been provided to directors and senior management of Forestry Tasmania in respect of liabilities to third parties arising from their positions, except where the liability arises out of conduct involving a lack of good faith. No monetary limit applies to these agreements and there are no known obligations still outstanding at 30 June 2004.

There has been no dividend declared for 2003/2004 and in accordance with AASB 1044 *Provisions, Contingent Liabilities and Contingent Assets* no dividend is recognised until declared. The dividend recommended by Forestry Tasmania is contingent upon the approval of the Treasurer and Portfolio Minister as per section 84(1) of the Government Business Enterprises Act 1995. Refer to note 6 for current year expected dividend.

Notes to the Financial Report for the year ended 30 June 2004

2004
\$'000

2003
\$'000

26 INTEREST IN JOINT VENTURE OPERATIONS

Forestry Tasmania has joint venture plantation establishment operations with other organisations. Its value of the share of the forest asset is included in note 10.

Forestry Tasmania holds a 50% share in a softwood joint venture with GMO Renewable Resources. In addition to the forest asset, included in the assets and liabilities of the organisation are items which represent Forestry Tasmania's interest in the joint venture. This is the only joint venture operation from which Forestry Tasmania receives revenue from outputs.

Current assets		
Cash	2,034	1,652
Receivables	2,460	2,175
Inventories	288	380
Total current assets	4,782	4,207
Non current assets		
Forest estate	67,481	76,542
Total non current assets	67,481	76,542
Total assets	72,263	80,749
Current liabilities		
Payables	1,930	1,634
Total current liabilities	1,930	1,634
Total liabilities	1,930	1,634

27 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Forestry Tasmania holds a 50% share with John Holland Investment Pty Ltd in Newwood Holdings Pty Ltd. The principal activity of the joint venture is site infrastructure construction and management.

(a) Interests in joint venture entities

Investment carrying amount

Newwood Holdings Pty Ltd	44	46
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(b) Results of joint venture entities

Revenues from ordinary activities	134	502
Expenses from ordinary activities	(134)	(508)
Profit/(loss) from ordinary activities	-	(6)
Income tax expense relating to ordinary activities	(2)	2
Net loss - accounted for using the equity method	(2)	(4)

Notes to the Financial Report for the year ended 30 June 2004

	2004 \$'000	2003 \$'000
(c) Statement of financial position		
Current assets	218	621
Non current assets	3,070	848
Total assets	3,288	1,469
Current liabilities	(210)	(950)
Non current liabilities	(3,034)	(473)
Total liabilities	(3,244)	(1,423)
Net assets	44	46
(d) Reconciliations		
<i>Share of post-acquisition retained profits attributable to joint venture entities</i>		
Share of joint venture entities' retained losses at beginning of year	(4)	-
Share of joint venture entities' net losses	(2)	(4)
Share of joint venture entities' retained losses at end of year	(6)	(4)
<i>Movement in carrying amount of joint ventures</i>		
Carrying amount at beginning of year	46	-
Investment in joint ventures acquired during the year	-	50
Share of joint venture entities' net losses	(2)	(4)
Carrying amount at end of year	44	46

28 RELATED PARTY TRANSACTIONS

During the year, the Board of Directors of Forestry Tasmania was comprised of the following individuals: Messrs. L.A. Wilson, E.C. Best, A. Kloeden, E.R. Rolley, H.J. Elliott and Ms D. Radford. Ms Radford was appointed on 1 July 2003 following Ms. E. Cornish's resignation on 30 June 2003.

Remuneration in 2003/2004 for Directors of Forestry Tasmania amounted to \$508,278 (2003:\$447,520). Included in the remuneration are superannuation provisions for the Board of Directors amounting to \$41,090 (2002:\$34,542). Remuneration includes directors fees, salary, bonus payment, contribution to superannuation funds and Fringe Benefits Tax payable on benefits provided. The total remuneration for individual directors falls within the following bands:

	No.	No.
\$20,000 to \$29,999	1	4
\$30,000 to \$39,999	3	-
\$50,000 to \$59,999	-	1
\$60,000 to \$69,999	1	-
\$280,000 to \$289,999	-	1
\$310,000 to \$319,999	1	-

With the exception of the following, Forestry Tasmania has not made any loans to or entered into any other transactions with any member of the Board of Directors or their related parties:

Mr E.C. Best holds an interest in Tassie Trees Trust. This interest was acquired through the public offer document, and is held on the terms and conditions applicable to all investors.

Mr H. Elliott is a former employee of Forestry Tasmania. He was contracted during 2003/2004 on normal terms and conditions as an independent consultant to complete specific tasks associated with forest research activities. He was paid \$47,331 including GST (2003:\$45,500) for the provision of these services.

Notes to the Financial Report for the year ended 30 June 2004

	2004 \$'000	2003 \$'000
29 AUDITORS' REMUNERATIONS		
Amounts payable to the Tasmanian Audit Office for auditing the financial accounts of Forestry Tasmania.	43,970	42,000
Amounts paid/payable to other service providers for internal and other regulatory audit services	262,961	217,850

30 EVENTS SUBSEQUENT TO BALANCE DATE

There were no significant events subsequent to balance date.

31 SEGMENT REPORTING

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, borrowings and expenses, and corporate assets and expenses.

Intersegment pricing is determined on an arm's length basis.

Business segments

Forestry Tasmania is comprised of the following main business segments, based on the organisation's management reporting system:

Hardwood - the sale of hardwood logs for downstream processing and the provision of forest management services

Softwood - the sale of softwood logs for downstream processing

			2004 \$'000
Business segments - primary reporting	Hardwood	Softwood	Total
Revenue			
External segment revenue	164,287	24,588	188,875
Unallocated revenue			2,525
Total revenue			191,400
Result			
Segment result	23,987	3,093	27,080
Unallocated expenses			(10,580)
Profit from ordinary activities before tax			16,500
Income tax expense			(6,913)
Forest net market value increment/(decrement)			9,303
Profit from ordinary activities after tax			18,890
Other Segment Information	Hardwood	Softwood	Total
Depreciation and amortisation	(8,117)	-	(8,117)
Proceeds on sale of property	2,369	-	2,369
Harvesting and haulage costs	(45,486)	-	(45,486)
Forest revaluation net increment/(decrement)	18,449	(9,146)	9,303

Notes to the Financial Report for the year ended 30 June 2004

			2004 \$'000
	Hardwood	Softwood	Total
Assets			
Segment assets	763,848	61,398	825,246
Unallocated assets			49,059
Total assets			874,305
Acquisition of non current assets			12,990
Liabilities			
Segment liabilities	96,262	1,930	98,192
Unallocated liabilities			49,476
Total liabilities			147,668
Geographical segments - secondary reporting	Australia	Asia	Total
Segment revenue by location of customers	161,291	27,584	188,875
Segment assets by location of assets	825,246	-	825,246
Acquisition of non current assets	12,990	-	12,990
			2003 \$'000
Business segments - primary reporting	Hardwood	Softwood	Total
Revenue			
External segment revenue	140,631	24,783	165,414
Unallocated revenue			2,453
Total revenue			167,867
Result			
Segment result	23,159	3,118	26,277
Unallocated expenses			(6,368)
Profit from ordinary activities before tax			19,909
Income tax expense			(5,765)
Forest net market value increment/(decrement)			(25,377)
Loss from ordinary activities after tax			(11,233)
Other Segment Information	Hardwood	Softwood	Total
Depreciation and amortisation	(6,786)	-	(6,786)
Proceeds on sale of property	1,548	-	1,548
Harvesting and haulage costs	(40,408)	-	(40,408)
Forest revaluation net increment/(decrement)	(21,727)	(3,650)	(25,377)

Notes to the Financial Report for the year ended 30 June 2004

	Hardwood	Softwood	2003 \$'000 Total
Assets			
Segment assets	721,289	69,855	791,144
Unallocated assets			46,945
Total assets			838,089
Acquisition of non current assets			18,269
Liabilities			
Segment liabilities	84,495	1,634	86,129
Unallocated liabilities			42,802
Total liabilities			128,931
Geographical segments - secondary reporting			
	Australia	Asia	Total
Segment revenue by location of customers	136,901	28,513	165,414
Segment assets by location of assets	791,144	-	791,144
Acquisition of non current assets	18,269	-	18,269

32 ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

(a) Interest rate risk

	Weighted average market rate	Fixed Rate	Floating Interest Rate	Non Interest Bearing	2004 \$'000 Total
<i>Financial assets</i>					
Cash (see note 7)	4.8%	-	10,507	13	10,520
Receivables (see note 8)	15.0%	-	16,705	12,792	29,497
Investments (see note 14)	17.7%	-	16,270	-	16,270
		-	43,482	12,805	56,287
<i>Financial liabilities</i>					
Loans (see note 17)	5.6%	25,000	-	-	25,000
Accounts payable (see note 16)	-	-	-	27,309	27,309
Lease liabilities (see note 23)	-	-	-	-	-
Employee entitlements (see note 18)	5.2%	70,883	-	-	70,883
		95,883	-	27,309	123,192

Notes to the Financial Report for the year ended 30 June 2004

					2003 \$'000
	Weighted average market rate	Fixed Rate	Floating Interest Rate	Non Interest Bearing	Total
<i>Financial assets</i>					
Cash (see note 7)	4.3%	-	11,380	13	11,393
Receivables (see note 8)	15.0%	-	15,171	8,451	23,622
Investments (see note 14)	3.0%	-	14,024	-	14,024
		-	40,575	8,464	49,039
<i>Financial liabilities</i>					
Loans (see note 17)	5.5%	21,000	-	-	21,000
Accounts payable (see note 16)	-	-	-	21,269	21,269
Lease liabilities (see note 23)	4.5%	30	-	-	30
Employee entitlements (see note 18)	4.4%	64,860	-	-	64,860
		85,890	-	21,269	107,159

(b) Foreign exchange risk

Forestry Tasmania's policy is to use a foreign currency risk management instrument in compliance with Forestry Tasmania's Foreign Exchange Policy. At 30 June 2004 there was an open contract to sell USD1,500,000 at a rate of 0.6885, expiring on 23 July 2004.

(c) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets, excluding investments, of the economic entity which have been recognised on the balance sheet, is the carrying amount, net of any provision for doubtful debts.

Forestry Tasmania minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties within Tasmania. Export sales are also made to several customers in China and South Korea.

Forestry Tasmania is not materially exposed to any individual overseas country or individual customer. Credit risk on foreign exchange contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Foreign exchange contracts are subject to credit risk in relation to relevant counterparties, which are principally large banks. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency Forestry Tasmania pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay Forestry Tasmania. Documentary Letters of Credit are initiated for all export sales contracts.

(d) Net fair values of financial assets and liabilities

The carrying amounts of all financial assets and liabilities of Forestry Tasmania approximate net fair value.

33 INTERNATIONAL FINANCIAL REPORTING STANDARDS

Forestry Tasmania has established a formal project, monitored by a steering committee, to achieve transition to IFRS reporting, beginning with the year ended 30 June 2006. Forestry Tasmania's implementation project consists of three phases as described below.

Assessment and planning phase

The assessment and planning phase aims to produce a high level overview of the impacts of conversion to IFRS reporting on existing accounting and reporting policies and procedures, systems and processes, business structures and staff.

The phase includes:

- * high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting IFRS;
- * assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes;
- * evaluation of the implications for staff, for example training requirements; and
- * preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

The assessment and planning phase is considered to be complete in most respects as at 30 June 2004.

Design phase

The design phase aims to formulate the changes required to existing accounting policies and procedures and systems and processes in order to transition to IFRS.

The design phase will incorporate:

- * formulating revised accounting policies and procedures for compliance with IFRS requirements
- * identifying potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of IFRS
- * developing revised IFRS disclosures
- * designing accounting and business processes to support IFRS reporting obligations
- * identifying and planning required changes to financial reporting and business source systems
- * developing training programs for staff.

The design phase has commenced, with work progressing in each of the areas described above. The design phase is expected to be completed during the upcoming financial year.

Implementation phase

The implementation phase will include implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable Forestry Tasmania to generate the required disclosures of AASB 1 as it progresses through its transition to IFRS.

Except for certain training that has yet to be given to operational staff, Forestry Tasmania has not yet commenced the implementation phase. However it expects this phase to be substantially complete by 30 June 2005.

Key implications

The key implications of the conversion to IFRS on Forestry Tasmania are as follows:

- * a potential change in the valuation methodology of the standing timber assets.
- * financial instruments must be recognised in the statement of financial position and all derivatives and most financial assets must be carried at fair value.
- * income tax will be calculated based on the "balance sheet" approach, which will result in more deferred tax assets and liabilities and, as tax effects follow the underlying transaction, some tax effects will be recognised in equity.
- * revaluation increments and decrements relating to revalued property, plant and equipment assets will be recognised on an individual asset basis, not a class of assets basis.
- * impairments of assets will be determined on a discounted basis, with strict tests for determining whether cash-generating operations have been impaired.
- * changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

Certification of Financial Statements

Subject to the Treasurer's instructions issued pursuant to the Government Business Enterprises Act 1995, in the opinion of the directors of Forestry Tasmania the financial statements are drawn up so as to give a true and fair view of the results and cash flows for the period ended 30 June 2004 and the state of affairs at 30 June 2004 of the Enterprise. The accounts have been made out in accordance with the provisions of the Government Business Enterprises Act 1995.

Where values have been determined by Forestry Tasmania personnel for non-current assets, these values have been accepted as directors' valuations.

At the date of this statement, there are reasonable grounds to believe that the Enterprise will be able to pay its debts as and when they fall due.

The financial statements have been made out in accordance with Australian Accounting Standards and Urgent Issues Group Consensus Views.

Signed in accordance with the resolution of directors.



Lawrence A Wilson
Chairman
30 August 2004



Evan R Rolley
Managing Director
30 August 2004



INDEPENDENT AUDIT REPORT

To the Members of the Parliament of Tasmania

FORESTRY TASMANIA

Financial Report for the year ended 30 June 2004

Scope

The financial report and the Directors' responsibilities

The financial report comprises the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, accompanying notes to the financial statements, and the Directors' declaration for Forestry Tasmania for the year ended 30 June 2004.

The Directors are responsible for the preparation and true and fair presentation of the financial report in accordance with Section 52 (1) of the *Government Business Enterprises Act 1995*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

I conducted an independent audit in order to express an opinion to the members of the Parliament of Tasmania. My audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

I performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Government Business Enterprises Act 1995*, the Treasurer's Instructions, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of Forestry Tasmania's financial position, and of its performance as represented by the results of its operations and cash flows.

I formed my audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

While I considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of my procedures, my audit was not designed to provide assurance on internal controls.

The Audit Opinion expressed in this report has been formed on the above basis.

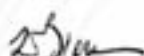
Independence

In conducting my audit, I followed applicable independence requirements of Australian professional ethical pronouncements.

Audit Opinion

In my opinion the financial report presents fairly, in accordance with the Treasurer's Instructions issued under the *Government Business Enterprises Act 1995* and applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of Forestry Tasmania as at 30 June 2004, and the results of its operations and its cash flows for the year then ended.

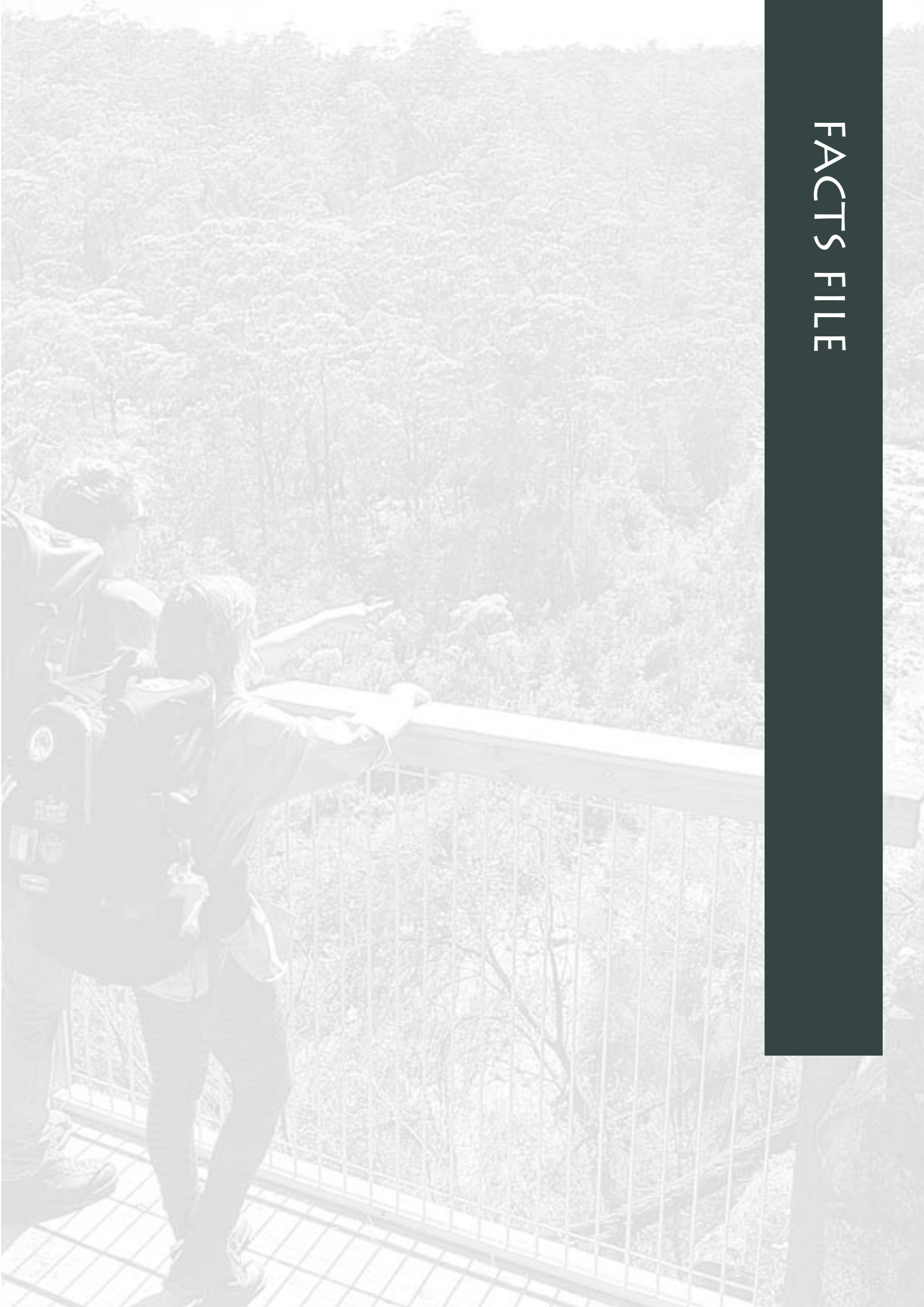
TASMANIAN AUDIT OFFICE



H M Blake
AUDITOR-GENERAL

16 September 2004
HOBART

FACTS FILE



PRODUCING THE GOODS

Native forest wood production	2003-2004	2002-2003
Special species timber sawlog (m3)	21,866	20,468
Eucalypt veneer log (m3)	11,070	10,178
Eucalypt sawlog—Category 1 & 3 (m3)	346,018	321,558
Eucalypt sawlog—Category 2 & 8 (m3)	117,247	97,344
Eucalypt peeler log (t)	176,183	158,279
Pulpwood (t)	2,902,786	2,828,265

Softwood plantation production¹

Sawlog (m3)	254,374	229,643
Export log (m3)	60,407	64,581
Roundwood (m3)	6,050	5,308
Pulpwood (t)	250,558	302,974

Eucalypt plantation production

Pulpwood (t)	104,426	119,962
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Notes

1. The quantities reported for softwood plantation production reflect Forestry Tasmania's half share in Taswood Growers. This is the softwood joint venture company owned by Forestry Tasmania and Renewable Resources Ltd.



THE FOREST ESTATE

State forest

Changes during 2003–2004 (hectares):

State forest created by land purchase	135
Net decrease of State forest resulting from changes to public land classifications	-36
State forest status removed through land sale	-75
Net increase in the area of State forest	24
Total area of State forest at 30 June 2004 ²	1,500,000 ¹

Forest Reserves

Changes during 2003–2004 (hectares):

Net change in area of Forest Reserves resulting from changes to public land classifications	0
Net change in Forest Reserves	0
Total area of Forest Reserves at 30 June 2004 ²	175,000

Multiple-use forest (MUF)

Changes during 2003–2004 (hectares):

Net decrease in MUF resulting from changes in public land classifications	-23
Net decrease in MUF	-23
Total area of MUF at 30 June 2004 ²	1,310,000

Note:

¹ Total includes 800 ha correction to previous records.

² Figures in the Total rows are not the sum of the columns but the rounded actual totals.

FOREST TYPE BY LAND CLASSIFICATION

Forest type	State forest (excl. forest reserves)	Forest Reserves	Conservation Reserves (Nature Conservation Act 2002)	Public Reserves (Crown Lands Act)	Other publicly managed land	Other private land	Total area
<i>Tall native eucalypt forest:</i> Eucalypt forest with current or potential height of 34m or more	487	42	176	5	12	155	877
<i>Low native eucalypt forest:</i> Eucalypt forest with current or potential height of less than 34m	337	67	399	12	49	683	1,547
<i>Subtemperate (Myrtle) rainforest:</i> Subtemperate Myrtle rainforest with no significant Eucalypt or Acacia	175	38	326	0	5	22	566
<i>Other native forest:</i> Including Acacia spp, Melaleuca etc	55	9	47	1	4	34	151
<i>Softwood plantation</i>	54	0	0	1	0	22	78
<i>Hardwood plantation</i>	38	0	0	0	0	100	139
<i>Non-forest:</i> Including scrub, moorland, farmland, rock and lakes	179	19	1,381	23	207	1,648	3,456
Total	1,325	175	2,328	43	277	2,664	6,812

Notes

- Areas reported in this table include land, inland water bodies and islands. Sea and marine estuaries are excluded.
- The areas for forest are derived from detailed forest type mapping, which is continually updated. Generally, State forest mapping is updated annually, but remapping of other tenures is less frequent.
- 'Other publicly managed land' includes land owned by, or vested in, the HEC and Commonwealth; municipal reserves; and private and municipal lands managed by the Wellington Park Management Trust.
- Private property forest areas are as advised by Private Forests Tasmania, and generally reflect forest mapping as at December 2002.
- All areas in thousands of hectares as at 30 June 2004.

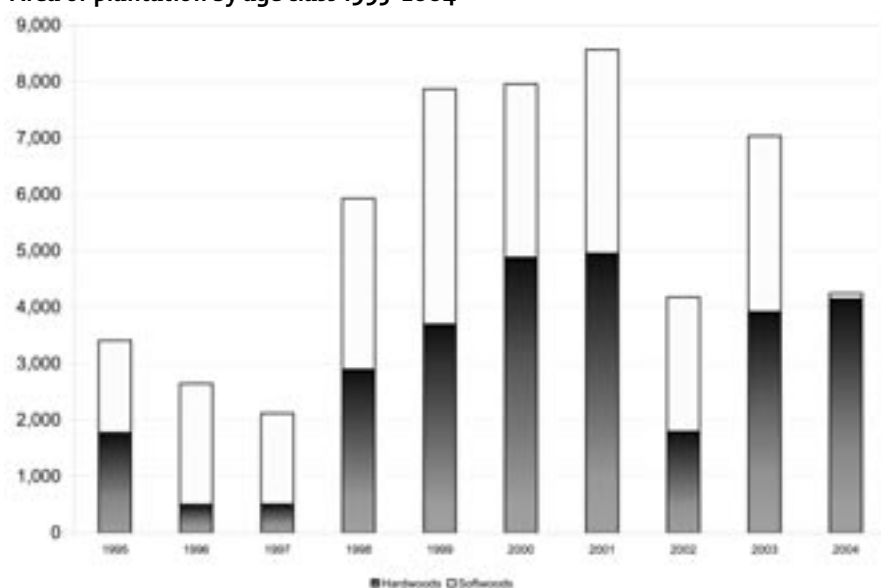
PLANTATION ESTABLISHMENT

Ownership	New area planted 2003–2004 ¹ (ha)		Area replanted 2003–2004 ¹ (ha)		Net area of plantation ⁵ at 30.6.2004 (ha)	
	SW	HW	SW	HW	SW	HW
Forestry Tasmania (FT) plantation on State forest & Crown land	0	1,204	0	215	2,900	21,542
FT joint venture plantation on State forest & Crown land ²	580	217	2,332	110	50,684	6,775
FT joint venture plantation on private land ⁸	0	0	0	0	597	239
Tassie Trees Trust plantation on State forest ⁴	0	0	0	0	305	1,517
FT plantation on private land ⁸	0	0	0	0	0	789
Private plantation on State forest	0	3,978	0	393	9	8,128
Total 2003–2004⁶	580	5,399	2,332	718	54,497	38,990
(Total 2002–2003) ^{6,7}	324	3,391	2,313	120	53,754	33,090

Notes:

1. Planting period for mapping and reporting purposes is from 1st July 2003 to 30th June 2004.
2. Includes the softwood plantations which are 50% owned by GMO Renewable Resources, for which data is supplied by Rayonier Australia as at 30th June 2004.
3. The majority of mixed hardwood/softwood plantations are reported as hardwood.
4. Tassie Trees Trust plantations are mainly jointly-owned with private growers, but include small proportions owned solely by FT.
5. Totals exclude plantation areas clearfelled but not yet re-planted.
6. Figures in the Total row are not the sum of the columns but the rounded actual totals.
7. Includes additional areas not fully reported in 2003.
8. Includes recent commercial acquisitions.

Area of plantation by age class 1995–2004



1. Age classes are based on calendar year planting seasons, not financial years.
2. Totals reflect stocked plantation as at 30 June 2004, and includes commercial acquisitions.
3. Plantation established prior to 1995 is not shown.
4. Planting of 2004 age class still in progress as at 30 June 2004.

FIRE MANAGEMENT STATISTICS

Vegetation type burnt by all fires according to land tenure *

		Forestry Tasmania			DTPHA			Other		Total	
		Forest Reserve	State Forest	Total	Crown Lands Act Reserve	NP&W Act Reserve	Total	Private property	Publicly managed land	Total	
Bracken	Severely scorched	0.28	1.31	1.59	0.00	0.00	0.00	9.86	0.00	9.86	11.45
	Total area burnt	0.28	1.31	1.59	0.00	0.00	0.00	9.86	0.00	9.86	11.45
Buttongrass	Severely scorched	0.00	1,775.05	1,775.05	0.00	23,500.26	23,500.26	67.91	58.57	126.48	25,401.79
	Total area burnt	0.00	1,775.05	1,775.05	0.00	23,500.26	23,500.26	67.91	58.57	126.48	25,401.79
Dry sclerophyll forest	Severely scorched	521.65	4,112.65	4,634.30	3.68	3,164.55	3,168.23	1,799.59	315.44	2,115.03	9,917.56
	Total area burnt	793.80	9,113.78	9,907.58	3.68	5,600.26	5,603.94	2,769.69	519.54	3,289.23	18,800.75
Dry scrub & heath	Severely scorched	0.01	359.81	359.82	0.02	20,505.67	20,505.69	73.70	45.35	119.05	20,984.56
	Total area burnt	0.01	359.81	359.82	0.02	20,505.67	20,505.69	73.70	45.35	119.05	20,984.56
Logging slash	Severely scorched	3.88	208.30	212.18	0.00	0.00	0.00	0.16	1.90	2.06	214.24
	Total area burnt	3.88	208.30	212.18	0.00	0.00	0.00	0.16	1.90	2.06	214.24
Mixed forest	Severely scorched	0.00	3.10	3.10	0.00	0.00	0.00	0.00	0.00	0.00	3.10
	Total area burnt	0.00	10.10	10.10	0.00	0.00	0.00	0.00	0.00	0.00	10.10
Mountain eucalypt forest	Severely scorched	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total area burnt	0.00	4.13	4.13	4.18	24.18	28.36	179.14	0.15	179.29	211.78
Other	Severely scorched	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total area burnt	10.84	81.29	92.13	3.37	218.17	221.54	52.90	25.65	78.55	392.22
Paddocks & grass	Severely scorched	6.73	37.07	43.80	0.00	4.34	4.34	216.03	0.71	216.74	264.88
	Total area burnt	6.73	37.07	43.80	0.00	4.34	4.34	216.03	0.71	216.74	264.88
Plantation hardwood	Severely scorched	0.00	46.24	46.24	0.00	0.00	0.00	5.27	0.00	5.27	51.51
	Total area burnt	0.00	90.10	90.10	0.00	0.00	0.00	10.12	0.00	10.12	100.22
Plantation softwood	Severely scorched	0.00	10.59	10.59	0.00	0.00	0.00	0.03	0.00	0.03	10.62
	Total area burnt	0.00	51.18	51.18	0.00	0.00	0.00	0.03	0.00	0.03	51.21
Rainforest	Severely scorched	24.31	418.29	442.60	0.00	449.81	449.81	0.41	0.87	1.28	893.69
	Total area burnt	51.25	877.98	929.23	0.00	1,082.18	1,082.18	0.60	1.98	2.58	2,013.99
Regeneration	Severely scorched	0.00	694.54	694.54	0.00	0.00	0.00	4.18	0.00	4.18	698.72
	Total area burnt	0.00	984.84	984.84	0.00	0.00	0.00	5.12	0.00	5.12	989.96
Wet sclerophyll forest	Severely scorched	349.78	4,587.45	4,937.23	4.33	2,978.55	2,982.88	189.55	45.88	235.43	8,155.54
	Total area burnt	683.26	7,425.53	8,108.79	4.33	4,572.55	4,576.88	369.88	89.91	459.79	13,145.46
Wet scrub & heath	Severely scorched	15.55	1,347.22	1,362.77	0.75	17,466.81	17,467.56	101.49	31.85	133.34	18,963.67
	Total area burnt	21.19	1,816.91	1,838.10	1.26	21,860.40	21,861.66	193.51	47.63	241.14	23,940.90
Total	Severely scorched	922.19	13,601.62	14,523.81	8.78	68,069.99	68,078.77	2,468.18	500.57	2,968.75	85,571.33
	Total area burnt	1,571.24	22,837.38	24,408.62	16.84	77,368.01	77,384.85	3,948.65	791.39	4,740.04	106,533.51

* Forestry Tasmania also carries out substantial work associated with fires that originate on other tenures, hence the inclusion in this table of tenures other than Forestry Tasmania.

FIRE MANAGEMENT STATISTICS

Number of fires by district and month

	October	November	December	January	February	March	April	Total
Bass	5	19	3	7	2	5		41
Derwent		9	3	1	2	1	1	17
Huon		6	2		2			10
Mersey		6	6	5	1	6		24
Murchison		12		5	2	2		21
Total	5	52	14	18	9	14	1	113

Cause of wildfires and land tenure at origin

		Tenure at the fires origin			Total
		State Forest	Other Crown Land	Private Property	
Arson		29	5	7	41
Lightning		9	6		15
Unknown		3	1	11	15
Escapes	Agricultural Burn Off			22	22
	Other Waste Disposal			1	1
	Fuel Reduction Burn	1		2	3
	Reignition/ bark heap	1		1	2
	Campfire			1	1
Accidental		5		1	6
Machine		3			3
Other inc false alarms		3	1		4
Total		54	13	46	113

GRANTS AND SPONSORSHIPS

Research Funding:-

University of Tasmania	71
Forest research - Warra development	6
Infrastructure contribution - forest practices research	25
Forest Education Foundation	132
Fire Research Fund	20
Gottstein Trust Fund - Scholarship	1

Sponsorship:-

Rock Eisteddfod 2003 and 2004	16
Kermadie Football Club	4
Tasmanian World Forestry Day	3
Tasmanian Wood Design Collection Trust	18
Cycling Carnival Mersey Valley	2
Orienteering Tasmania orienteering championship	2
Cygnets Tennis Club Clay Court Championship 2003	2
Tasmanian Board of Canoe Education Winter Challenge	6
Freight costs to ship Tasmanian-designed furniture to Pusan, China and return	1
Camp Quality Gala Night	2
University of Tasmania - Chinese Imprint on Tasmania	5
Tasmanian Axemans Association	2
Brooks High School No Dole Support Fund Beacon Foundation	2
ACWW 2004 conference	3
Huon Valley Council, timber getter wooden sculpture,	4
Future Forests and Timber 2003	5
Stanley Visitor Centre	20
International Forestry Students Victorian School of Forestry	1
Living Rivers Program	1
Bus sponsorship, Huon District Eldercare Home Association	2
Austrade - accompany Korean journalists	1
13th ANCOS Conference	3
Tamar Woodworkers Guild, 2004 Expo	5
Huon Valley Golf Club, sandbucket sponsorship	1
Circular Head Tourism, acrylic sign	1
Tasmania Police, Bushwatch Program	1
2004 Southern Cross Young Achiever Award	14
IUFRO 2005 World Congress	8
Northwest Axemans Association	5
Student Sponsorship ANU Field Trip	1
Rivers Run Tourism Association	3
Growing Tree/FT staff charity bike tour	1
Tasmania Forest Festival	1
World Forestry Day Award	1
Gala Night Gold Sponsors the Cancer Council	2
Tasmanian Forest Festival, marquee hire	2
Risdon Vale Primary School Rock Eisteddfod	1
Hoo Hoo Club	1
Furnitex School of Fine Furniture	2
West Coast video	7
2003 Wood Productivity Awards	10



At a formal ceremony at Brooks High School students, staff and employers sign a 'no dole' charter. The No Dole Support Fund was sponsored by Forestry Tasmania



"The Timber Getter," by sculptor Roland Gabatel, was a project sponsored by Forestry Tasmania

continued next page

from previous page

Sponsorship
(continued):-



Forestry Tasmania was again a major sponsor of the Subaru Safari Tasmania, which is the final annual event of the Australian Rally Championship

	2004 \$'000
Australian Wood Review prizes	6
Independant Tourism Operators of Tasmania	3
Trout Guides and Lodges Tasmania	9
John Faircloth: Bicentennial Calendar	5
Austrade, Tasmanian Furniture Exhibition	1
Wildcare Inc., contribution for personal accident insurance	1
Fluteboard Group Ltd	1
Identify springtail (<i>collembola</i>) insects from Mt Weld	2
Tasmanian Forest Industries Training	6
Dorset Tourism Board	1
NRM Weed Strategy, Dorset Council	1
Subaru Safari	1
Derwent Valley Autumn Fest	2
Dover Axemans Association	1
Penguin Football Club	1
Wildside MTB 2004	1
Wood Chopping, Devonport Agricultural & Pastural Society	1
Tasmanian Thousands, Northwest Axemans Association	3
Latrobe Bicycle Club	1
Cluan Two Day Sports Event	1
Contribution to scientific monitoring, DIER	5

TOTAL	480
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GLOSSARY OF TERMS

Biodiversity	Includes genetic diversity, reflecting the diversity within each species; species diversity, the variety of species; and ecosystem diversity, the diversity different communities formed by living organisms and the relationships between them.
Boreal	Northern biotic area characterised especially by dominance of coniferous forest.
CAR	Comprehensive, adequate and representative reserve system.
Category 1 & 3 sawlog	First-grade eucalypt sawlog as specified in the Forestry Regulations 1993 Schedule 5 part 1 (1). Eucalypt sawlogs from mature and over-mature forest were previously termed 'category 1 sawlogs' and those from regrowth forests were previously termed 'category 3 sawlogs'.
Category 2 sawlog	Second-grade eucalypt sawlog.
Category 8 log	Eucalypt log with a quality below category two specifications . Subject to market demand this product may become sawlog, or pulpwood.
Category 4 sawlog	First-grade sawlog from special species timbers such as blackwood, myrtle, sassafras, celery top pine, Huon pine and leatherwood.
Clearfelling	The felling of all or nearly all trees from a specific area in one operation. The term applies to patches with a diameter greater than four to six times average tree height.
Coupe	A discrete area of forest, harvested and regenerated (usually over one to two years).
DPIWE	Dept of Primary Industries, Water & Environment.
EMS	Environmental management systems. The EMS sets targets for improving environmental performance, and establishes measures to gauge improvement.
Forest Practices Code	Guidelines and standards used in planning forest operations to ensure environmental protection. This Code is required under the Forest Practices Act 1985.
Forest Practices Plan	A plan for forest operations, specified in Section 18 of the Forest Practices Act 1985.
Forest reserve	An area of State forest, formally gazetted for long-term intent, to be managed for recreational, scientific, aesthetic, environmental or protection purposes.
Forest	An area incorporating all living and non-living components, dominated by trees having usually a single stem and a mature (or potentially mature) stand height exceeding 5m, with existing or potential projective foliage cover of overstorey strata, about equal to or greater than 30%. This definition includes native forests and plantations regardless of age, and areas of trees sometimes described as woodlands.
Fuel reduction burn	A fire of low intensity carried out under closely controlled conditions to reduce the quantity of accumulated dead fuel from the forest floor, without damaging standing timber. Also called low intensity prescribed burn.
Hardwood	Timber from broad-leaved flowering tree (botanical group Angiospermae), irrespective of physical hardness. Includes eucalypts, wattles and most rainforest species.
ISO 14001	The international standard for EMS. It formalises methods for reviewing, reporting, documenting, monitoring and training in forest management practices.

LRA	Log Residue Assessment. Refers to a systematic quantitative method of determining logging residues of “merchantable timber” on the forest floor.
LTIFR	Lost time injury frequency rate. Refers to the number of incidents incurred where the injured employee is off work for the whole of the following day.
LUPAA	Land Use Planning and Approvals Act 1993.
MDC	Forestry Tasmania’s Management Decision Classification System.
Merchantable timber	The part of a tree’s stem with monetary value as a saleable product; usually refers to veneer, sawlog and pulpwood.
Multiple-use forest	Forested land on the Register of Multiple Use Forest Land, principally by the Public Land (Administration & Forests) Act 1991 and also under the Forestry Act 1920. Managing these forests combines a number of uses—usually in a single stand or on the same general site, but not necessarily at the same time.
Native forest	Forest consisting of tree species that are native to Tasmania, other than plantations. Native forest include mature, regrowth forests and regeneration forests.
NEPM	National Environmental Protection Measure.
Oldgrowth	Forest that is ecologically mature forest where the effects of disturbances are now negligible.
Partial harvesting	Harvesting systems which include the retention of some trees e.g. advance growth, seed tree, shelterwood, group and single tree selection.
Peeler log	A log for rotary peeling for structural-grade plywood.
Plantation	Forest established by planting seedlings rather than sowing seed. Plantation areas usually have intensive site preparation prior to planting. They are managed intensively for future timber harvesting.
Production forest	Forest zoned for commercial harvesting, ie containing sufficient quantities of sawlog and pulpwood quality timber to justify the expense of harvesting, and not reserved for protection of other values.
Public Forest	Includes forest in World Heritage Areas, national park, formal and informal reserves and state forest.
Pulpwood	Logs below sawlog quality but suitable for manufacturing pulp, paper and panel products.
Rainforest	Forest dominated by tree species such as myrtle, sassafras, celery-top pine, leatherwood, and blackwood, in which eucalypts comprise less than 5% of the crown cover. Rainforest generally occurs in areas with high rainfall.
Reforestation	Where forest is re-grown on logged or cleared land. May involve silviculturally regenerating forest and/or establishing plantations.
RFA	Regional Forest Agreement. A long-term agreement between the Commonwealth and State governments, to ensure the sustainable management of Tasmania’s forests.
Reserve/reservation	An area of land formally or informally set aside for specified conservation purposes. Formal reserves include state reserves and forest reserves. Informal reserves include wildlife habitat strips and other areas where harvesting activities are specifically excluded by management zoning.

Roundwood	Logs below sawlog quality but suitable for manufacturing posts and poles.
Sawlog	A log for processing into sawn timber. Selective logging felling and removing part of the forest crop, usually according to a specified silvicultural prescription.
Silviculture	The cultivation of forest trees; forestry.
Slash burn	Burning material left on the ground after harvesting operations, including tree heads, shrubs and other non-merchantable woody material. Usually done in the late summer or early autumn.
Snig track	A track along which logs are pulled from the felling point to a nearby landing.
Softwood	Timber of coniferous or cone-bearing trees (in the botanical group Gymnospermae), irrespective of physical hardness. Includes radiata pine.
State forest	Land managed by Forestry Tasmania under the Forestry Act 1920, including purchased land.
Sustainable yield	The maximum level of commercial timber (or product mix) that can be maintained under a given management regime.
Veneer log	A log for producing veneer, either by slicing or peeling, for panel products.
Woodchipping	Producing small pieces of wood from pulpwood. This is the first stage of processing pulpwood into paper and fibreboard.

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